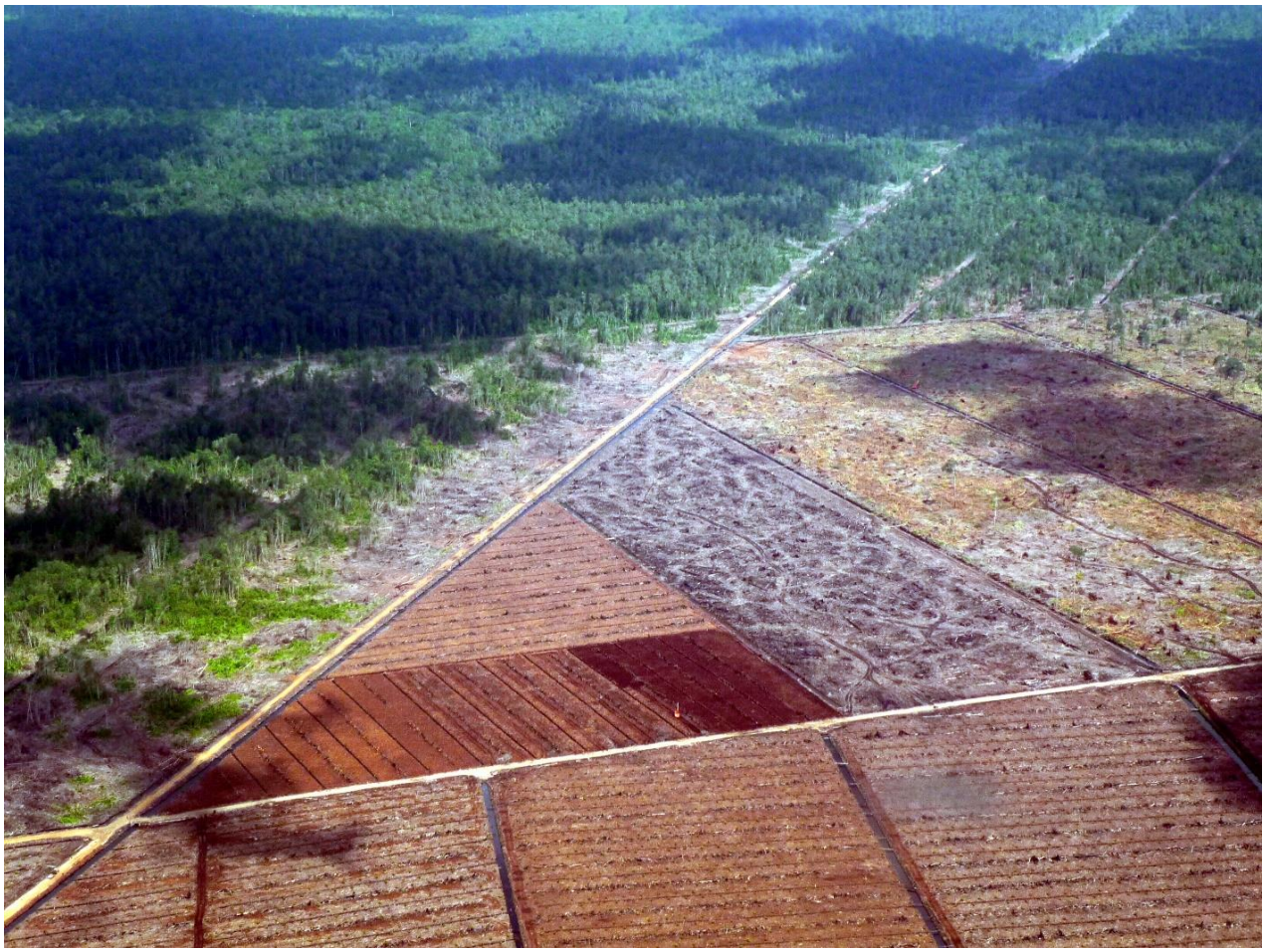
Deforestation and land grabbing in the palm oil sector

A Fair Insurance Guide case study

Eerlijke Verzekeringswijzer



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About this report

This report has been commissioned by The Fair Insurance Guide ('Eerlijke Verzekeringswijzer'), at the initiative of Milieudefensie and Oxfam Novib, two of the six coalition members of the Fair Insurance Guide. It examines whether and to what degree the ten largest insurance groups active in the Netherlands, as selected by the Fair Insurance Guide, implement their responsible investment policies in relation to their investments in ten palm oil companies. The aim of the Fair Insurance Guide is to encourage corporate social responsibility by insurance groups. Also it aims to enables consumers of insurance products to make more well-informed decisions where to take out their (life)-insurance.

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Authorship

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Samenvatting

Dit praktijkonderzoek toont aan dat negen in Nederland actieve verzekeringsgroepen beleggen, over een periode van vier jaar tussen 2013-2016, in tien van de meest controversiële beursgenoteerde palmoliebedrijven. Deze palmoliebedrijven waren betrokken bij ernstige controverses met betrekking tot ontbossing en landroof. De meeste verzekeringsgroepen laten een tekort aan transparantie zien over hun aanpak van ontbossing en landroof in deze risicovolle sector. Drie verzekeraars, Allianz, Legal & General en Generali, zijn helemaal niet transparant. Aegon, APG en Delta Lloyd laten in beperkte mate zien dat zij aandacht hebben voor ontbossing en landroof. Achmea en NN Group delen meer informatie en maken enigszins duidelijk dat zij zich inzetten om risico's aan te pakken. Er is echter nog veel ruimte voor verbetering. Eén verzekeringsgroep, Vivat Verzekeringen, laat zien dat het mogelijk is om substantiële stappen te zetten en daar transparant over te zijn. Zonder transparantie is het niet mogelijk om investeerders verantwoordelijk te houden.

In de palmoliesector vormen ontbossing en landroof systematische risico's met ernstige gevolgen voor het milieu en gemeenschappen. Ontbossing en landroof zijn gerelateerd aan een breed scala aan sociale en milieuproblemen, zoals landconflicten, gedwongen huisuitzettingen, conflicten met inheemse gemeenschappen, het verlies aan biodiversiteit en het verbranden van veengronden. Dit leidt ook tot ernstige luchtvervuiling en draagt bij aan wereldwijde klimaatverandering.

Het doel van dit praktijkonderzoek van de Eerlijke Verzekeringswijzer is het nagaan of de tien grootste in Nederland actieve verzekeringsgroepen beleggen in palmoliebedrijven die betrokken zijn bij landroof en ontbossing, en zo ja of ze aantoonbaar hun invloed aanwenden om deze misstanden tegen te gaan, en hoe. Dit onderzoek richt zich op de risico's die ontstaan door beleggingen in aandelen en bedrijfsobligaties, zowel voor de eigen rekening van de verzekeringsgroep als door het vermogensbeheer voor derden. Deze beleggingen dragen bij aan de benodigde financiering voor uitbreidingen in de palmoliesector.

De verzekeringsgroepen zijn:

- Achmea
- Aegon
- Allianz
- APG
- ASR Nederland
- Delta Lloyd
- Generali
- Legal & General
- NN Group
- Vivat Verzekeringen

Door middel van financieel onderzoek is nagegaan of deze tien verzekeringsgroepen in de afgelopen vier jaar, tussen 2013 en 2016, beleggingen hadden in tien controversiële palmoliebedrijven. Op ASR Nederland na hadden alle verzekeringsgroepen beleggingen in deze bedrijven. Omdat voor ASR geen beleggingen zijn gevonden in de vier jaar tussen 2013 en 2016, is ASR niet beoordeeld in dit praktijkonderzoek. Dit praktijkonderzoek is daarom verder gegaan met negen verzekeringsgroepen.

De tien palmoliebedrijven zijn:

- Wilmar
- Golden Agri-Resources
- Astra Agro Lestari
- Indofood
- First Resources
- Kuala Lumpur Kepong (KLK)
- Equatorial Palm Oil (EPO)
- Sampoerna Agro
- IOI Group
- Noble Group

De verzekeringsgroepen hebben een vragenlijst ontvangen met vragen over de volgende vijf manieren waarop verzekeraars op een positieve wijze invloed kunnen aanwenden om ontbossing en landroof tegen te gaan:

- Screening;
- Stemmen;
- Engagement;
- Uitsluiting; en
- Toezeggingen.

De doelstelling van de vragen is het achterhalen of, en zo ja hoe, de verzekeringsgroepen de palmoliebedrijven waarin zij in beleggen proberen te beïnvloeden. De vragen richten zich op de vorm en mate van communicatie tussen verzekeringsgroepen en bedrijven, alsmede de onderwerpen die daarin ter sprake komen: bijvoorbeeld landrechten, het verbranden van veengronden of duurzaamheidscertificering. Om punten te scoren in dit praktijkonderzoek moeten verzekeringsgroepen voorbeelden en bewijs met de onderzoekers delen.

Twee verzekeringsgroepen, Generali en Legal & General, hebben de vragenlijst niet ingevuld. De andere zeven verzekeringsgroepen hebben de vragen beantwoord. De mate waarin voorbeelden en bewijs gedeeld zijn verschilde sterk tussen de verzekeringsgroepen. De toegekende scores zijn onafhankelijk van de grootte van de beleggingen.

Tabel 1 geeft een overzicht van de scores van de verzekeringsgroepen, per onderwerp van de analyse. Het totaal aantal punten verschilt per onderwerp. Dit staat aangegeven in de eerste kolom van de tabel.

Tabel 1 Eindscores

	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	Legal & General	NN Group	Vivat
Screening (9 punten)	5	6	0	1	n.a.	2	0	0	6	9
Voting (6 punten)	0	0	0	5	n.a.	0	0	0	0	5
Engagement (14 puntens)	14	0	0	2	n.a.	0	0	0	8	14
Exclusion (8 punten)	4	0	0	0	n.a.	4*	0	0	5	6*
Commitment (1 punt)	0	0	0	0	n.a.	0	0	0	0	1
Totaal	**6**	**2**	**1**	**2**	**n.a.**	**2**	**1**	**1**	**5**	**10**

*Voor vraag 11c) over uitsluiting, is het mogelijk om een 'niet van toepassing'-beoordeling te krijgen. Hierdoor is de hoogst mogelijke score voor uitsluiting voor Delta Lloyd en Vivat 6 in plaats van 8 punten.

Allianz heeft op de vragenlijst gereageerd met antwoorden die betrekking hebben op het beleid van Allianz en niet op de implementatie daarvan. Zes verzekeringsgroepen leveren bewijs voor hun antwoorden op de vragen. Achmea, Aegon, APG, Delta Lloyd, NN Group en Vivat tonen aan dat ze palmoliebedrijven screenen op ontbossing en landroof. Vivat scoort 9 op 9 punten voor screening, NN Group en Aegon scoren 6 punten en Achmea scoort 5 punten.

Twee verzekeringsgroepen, Vivat en APG, tonen aan dat ze op aandeelhoudersvergaderingen van meerdere producenten van palmolieproducten gestemd hebben voor het aannemen van resoluties die het bedrijf opdragen risico's te beperken aangaande ontbossing en het aannemen van een verantwoord ketenbeleid. De andere verzekeringsgroepen hebben helemaal niet gestemd, niet op relevante resoluties en voorstellen gestemd of geen informatie over dit onderwerp aangeleverd.

Vivat en Achmea scoren maximaal voor engagement: 14 van de 14 punten. NN Group en APG tonen ook aan met bedrijven te spreken over ontbossing en landroof. Allianz en Delta Lloyd hebben geen relevante informatie aangeleverd over engagement. Aegon stelt dat het in de nabije toekomst deel zal nemen in een engagementtraject over ontbossing dat door de PRI geleid wordt.

Vier verzekeringsgroepen, Achmea, Delta Lloyd, NN Group en Vivat, tonen duidelijk aan wat hun aanpak is bij het mogelijk uitsluiten van palmoliebedrijven. Verzekeringsgroepen starten doorgaans eerst een engagementtraject voordat een bedrijf wordt uitgesloten. De uitsluiting wordt periodiek gecontroleerd: als het bedrijf voldoende vorderingen heeft gemaakt bij het tegengaan van ontbossing en landroof kan de uitsluiting opgeheven worden. Vivat, NN Group en Delta Lloyd tonen aan palmoliebedrijven te hebben uitgesloten wegen ontbossing en landroof.

Vivat heeft als enige verzekeringsgroep formele toezeggingen gedaan tijdens het onderzoek om de engagement over ontbossing en landroof met bedrijven te intensiveren. Vivat zegt ook toe meer inzicht in engagementtrajecten te gaan geven. De andere verzekeringsgroepen hebben geen formele toezeggingen gedaan tijdens het onderzoek, over het verbeteren van hun beleggingsbeleid ten aanzien van ontbossing en landroof in de palmoliesector.

Er is een sterke relatie tussen de mate van transparantie van de verzekeringsgroepen en de toegekende scores. Dit komt door de aard van dit praktijkonderzoek: zonder voldoende inzicht in de beleggingspraktijk kunnen statements niet gecontroleerd worden. Verschillende verzekeringsgroepen hebben informatie gedeeld om inzicht te geven in hun beleggingsaanpak. Andere verzekeringsgroepen leverden geen of onvoldoende informatie aan of gaven geen of onvoldoende antwoord op vragen. Door het gebrek aan informatie is het moeilijk om te beoordelen of deze verzekeringsgroepen zich houden aan hun eigen verantwoord beleggingsbeleid. Dit is zorgelijk, gezien de ernstige sociale en milieurisico's in de palmoliesector. Zonder transparantie is het erg moeilijk voor verzekeringsgroepen om aan te tonen dat zij hun maatschappelijke verantwoordelijkheid nemen om landroof en ontbossing door hun klanten en hun toeleveranciers daadwerkelijk tegen te gaan.

Op basis van de resultaten van dit praktijkonderzoek zijn de volgende aanbevelingen aan verzekeringsgroepen geformuleerd:

1. Transparantie moet vergroot worden

   De verzekeringsgroepen kunnen en moeten transparanter zijn over hun beleggingen en engagementprocessen. De maatschappij kan van meer informatie voorzien worden zonder daarmee de zorgplicht ten aanzien van de onderneming waarin geïnvesteerd wordt te schaden. Iedere verzekeringsgroep zou hiertoe de volgende stappen moeten zetten:

   - Publiceer en update regelmatig een volledig overzicht van de beleggingen in aandelen en obligaties. Het overzicht moet alle vermogensbeheercategorieën van de hele groep omvatten;
   - Publiceer een jaarlijks overzicht van het aantal bedrijven waarmee de verzekeringsgroep informatie heeft uitgewisseld over sociale en milieuonderwerpen (GRI-indicator FS10);

- Publiceer verslagen van engagementprocessen met individuele bedrijven of publiceer een gedetailleerd en extern geverifieerd overzicht van de doelstellingen en resultaten van de engagementprocessen van de hele verzekeringsgroep;
- Zorg dat het jaarlijkse duurzaamheidsrapport door een onafhankelijke partij is gecontroleerd. Deze partij moet nagaan of de GRI-standaarden gebruikt zijn en of het rapport informatie bevat over de GRI-criteria. Deze controles moeten meer omvatten dan de simpele constatering dat er geen reden is om aan te nemen dat de informatie niet in overeenstemming is met de GRI-standaarden. De controlerende partij moet ook beoordelen of er voldoende informatie gepubliceerd over essentiële GRI-criteria (zoals *sector disclosure indicators* FS6 en FS10).

2. Strikte screening en monitoring is essentieel

   De palmoliebedrijven in dit praktijkonderzoek zijn in de laatste vier jaar (2013-2016) betrokken geweest bij ernstige controverses. Desondanks zijn veel van deze bedrijven door de screeningprocessen van de verzekeringsgroepen gekomen. Dit gebeurde ook bij verzekeringsgroepen die screenen op het schenden van VN Global Compact-principes. Sommige palmoliebedrijven worden slechts op een *watch list* gezet. Het is niet duidelijk wat verzekeringsgroepen doen met bedrijven op hun *watch list*. Sommige verzekeringsgroepen starten pas een intensiever screenings- en engagementtraject nadat een bedrijf voor de eerste test gezakt is. Gezien de ernstige controverses bij de palmoliebedrijven die door de selectie komen, lijkt de drempel om extra onderzoek uit te voeren te hoog. Verzekeringsgroepen moeten de eerste screening en eventuele opvolging strikt uitvoeren en daarbij het eigen verantwoord beleggingsbeleid als uitgangspunt nemen.

3. Reikwijdte van beleid:

   a) Beleid moet onafhankelijk van de beleggingsgrootte geïmplementeerd worden

   Sommige financiële instellingen stellen dat hun belegging in een bedrijf te klein is om een engagementtraject te starten, of dat een kleine belegging in een klein bedrijf niet relevant is. Maatschappelijke organisaties verwachten echter van financiële instellingen dat zij hun verantwoord beleggingsbeleid volledig toepassen op alle relevante beleggingen, zoals wordt beschreven in het UNGP Reporting Framework.

   b) Implementatie van beleid moet plaatsvinden over de gehele waardeketen

   Behalve palmolietelers en –producenten, kunnen en moeten grote handelaren, retailers en producenten van consumentengoederen ook opgenomen worden in het verantwoord beleggingsproces. Deze bedrijven zijn onderdeel van de palmoliewaardeketen en zouden onderdeel moeten zijn van de oplossing van duurzaamheidsproblematiek in de keten. Ten aanzien van ontbossing en landroof moeten screening, stemmen, engagement en uitsluiting ook toegepast worden op deze bedrijven. Verscheidene verzekeringsgroepen zijn al in gesprek met dergelijke bedrijven. Alle verzekeringsgroepen die in deze bedrijven investeren dienen dit voorbeeld te volgen.

4. Engagement:

   a) Doorlopende engagement is noodzakelijk

   Ondanks pogingen van enkele bedrijven om de situatie te verbeteren, blijven ontbossing en landroof een risico voor palmoliebedrijven. Engagement moet daarom doorlopend zijn, die binnen hun sector als relatieve voorlopers op het gebied van duurzaamheid worden beschouwd.

b) Engagementprocessen moeten een duidelijke en tijdgebonden doelstelling hebben

Engagementprocessen van investeerders in de palmoliewaardeketen moeten gepaard gaan met duidelijke en tijdgebonden doelstellingen. Engagement zonder duidelijk doel of verwachting van een bedrijf is niet voldoende. Het is ook noodzakelijk voor investeerders om de vorderingen van een bedrijf gedurende het engagementproces te blijven volgen. De investeerder moet aan het bedrijf duidelijk maken dat het niet voldoen aan de doelstellingen uiteindelijk zal leiden tot het beëindigen van de belegging. Als engagementtrajecten zijn afgerond, dan dient de investeerder te rapporteren over de doelen en resultaten van het traject.

5. Stemmen en het indienen van aandeelhoudersresoluties:

a) Investeerders kunnen samenwerken bij het indienen van aandeelhoudersresoluties

Het indienen van een motie of een resolutie op een aandeelhoudersvergadering kost tijd en moeite. Het is echter in het belang van alle op duurzaamheid gerichte investeerders dat er relevante resoluties worden ingediend. Omdat vele investeerders baat hebben bij dergelijke resoluties, zouden investeerders er goed aan samen te werken bij het indienen van resoluties. Samenwerking zorgt er ook voor dat de minimumeisen voor het mogen indienen van een resolutie makkelijker behaald kunnen worden.

b) Stemmen moet een hogere prioriteit krijgen

Er zijn niet altijd relevante aandeelhoudersresoluties op de vergaderingen van palmoliebedrijven. Dit betekent echter niet dat het stemgedrag van investeerders duurzaamheid in de palmolieketen niet kan beïnvloeden. In de palmoliewaardeketen bevinden zich meer bedrijven die invloed hebben op ontbossing en landroof. Investeerders kunnen palmoliebedrijven bijvoorbeeld beïnvloeden door te stemmen voor resoluties die zich richten op het verduurzamen van de inkooppraktijk van grote klanten van palmolieproducenten, zoals ADM, Unilever of Cargill. Dit praktijkonderzoek toont aan dat niet alle investeerders hiervan op de hoogte zijn.

Summary

This case study shows that nine insurance groups active in the Netherlands invested in ten controversial listed palm oil companies over a period of four years, between 2013 and 2016. These palm oil companies have been involved in serious deforestation and land grabbing controversies. Most insurance groups show a lack of transparency regarding how they address deforestation and land grabbing in this high risk sector. Three insurance groups, Allianz, Legal & General and Generali, are not transparent. Aegon, APG and Delta Lloyd demonstrate to a very limited extent that they address deforestation and land grabbing. Achmea and NN Group share information and clearly show that they take some steps to address risks, although there is room for improvement. One insurance group, Vivat Verzekeringen, shows that it is possible to both take substantial action and also be transparent. Without transparency it is not possible to hold investors accountable.

Deforestation and land grabs form ongoing risks in the palm oil sector, with severe consequences for the environment and for communities. Deforestation and land grabs are connected to a wide range of other serious social and environmental impacts, such as land conflicts, forced evictions and conflicts with indigenous communities, as well as loss of biodiversity and the burning of peat; leading to devastating levels of pollution that contribute greatly to global climate change.

The objective of this Dutch Fair Insurance Guide (part of the Fair Finance Guide International) case study is to assess whether and if so, how, the ten largest insurance groups active in the Netherlands respond to the risk of being associated with and contributing to deforestation and land grabs through their investments in palm oil companies. The palm oil sector is a high-risk sector in terms of social and environmental impacts. The study focuses on the risks that arise due to investments in shares and bonds for the own account of the insurance group and through the management of assets for third parties. These investments contribute to the financing required for expansion in the palm oil sector.

The insurance groups are:

- Achmea
- Aegon
- Allianz
- APG
- ASR Nederland
- Delta Lloyd
- Generali
- Legal & General
- NN Group
- Vivat Verzekeringen

Financial research was conducted to determine whether the ten insurance groups have investments in a selection of ten palm oil companies, in the last four years (2013 – 2016). For all insurance groups, except ASR Nederland, investments were identified during the research period. As no investments for ASR were identified in the ten selected palm oil companies in the last four years (2013 – 2016), ASR is scored as 'not active' for this case study. This case study therefore continued with nine insurance groups.

The ten palm oil companies are:

- Wilmar
- Golden Agri-Resources
- Astra Agro Lestari
- Indofood
- First Resources
- Kuala Lumpur Kepong (KLK)
- Equatorial Palm Oil (EPO)
- Sampoerna Agro
- IOI Group
- Noble Group

The insurance groups were sent a questionnaire with questions on the following five topics:

- Screening;
- Voting;
- Engagement;
- Exclusion; and
- Commitments.

The questions were aimed at finding out whether, and if so how the insurance groups conduct these activities, including questions about how often an activity is conducted, or what topic the activity focussed on, such as for example land rights, the burning of peat or the implementation of sustainability certification. In order to receive points for their answers, the insurance groups had to share supporting evidence and examples of implementation with researchers.

Two insurance groups, Generali and Legal & General, did not respond to the questionnaire. The other seven insurance groups all provided answers in response, with a varying degree of supporting evidence and examples. Scoring is irrespective of investment size.

Table 1 shows the total scores awarded to the insurance groups, for each section of the analysis. The total amount of points possible varies per section, with most points to be gained for engagement, as shown in the first column.

Table 1 Total scores

	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	Legal & General	NN Group	Vivat
Screening (9 points)	5	6	0	1	n.a.	2	0	0	6	9
Voting (6 points)	0	0	0	5	n.a.	0	0	0	0	5
Engagement (14 points)	14	0	0	2	n.a.	0	0	0	8	14
Exclusion (8 points)	4	0	0	0	n.a.	4*	0	0	5	6*
Commitment (1 point)	0	0	0	0	n.a.	0	0	0	0	1
Total	**6**	**2**	**1**	**2**	**n.a.**	**2**	**1**	**1**	**5**	**10**

*For question 11 c) in the exclusion section, it is possible to receive a 'not applicable' score, meaning the total score possible is 6 and not 8 points for Delta Lloyd and Vivat.

Allianz responded to the questionnaire with answers regarding Allianz' policies but not regarding the implementation of its policies. All six insurance groups that responded to the survey questions and were also able to illustrate how their screening process worked with documentation, scored points for screening. Achmea, Aegon, APG, Delta Lloyd, NN Group and Vivat all illustrated that they conduct screening on deforestation and land grabs. Vivat receives 9 out of 9 points for screening, NN Group and Aegon receive 6 points and Achmea receives 5 points.

Two insurance groups, Vivat and APG, were able to illustrate that they had voted for relevant resolutions at the annual shareholder meetings of multiple consumer goods companies in the palm oil value chain, aimed at addressing the risks of deforestation, reducing the impacts of palm oil sourcing and the adoption of a responsible palm oil sourcing policy. The other insurance groups either did not vote at all, did not vote for relevant proposals, or did not share any information about their votes with researchers.

For engagement, two insurance groups, Vivat and Achmea, scored all 14 of 14 points. NN Group and APG also demonstrably conducted engagements on the issues addressed in this case study. Allianz and Delta Lloyd did not share any information regarding possible engagements. Aegon states that it will start participating in a PRI engagement on deforestation in the near future.

Four insurance groups, Achmea, Delta Lloyd, NN Group and Vivat, clearly illustrated what their approach is to the possible exclusion of palm oil companies. Insurance groups will usually engage with a company before ultimately deciding to exclude it from investment and will review exclusions periodically, to assess whether sufficient improvements have been made. Vivat, NN Group and Delta Lloyd have excluded palm oil companies for reasons relating to deforestation and land grabs.

Only Vivat formulated formal written commitments during the research period, to increase the amount of engagements with companies on the issue of deforestation and also to provide more insight into Vivat's engagement approach. The other insurance groups did not formulate formal commitments during the research period to improve their responsible investment practices regarding deforestation and land grabs in the palm oil sector.

There is a strong link between the level of transparency that insurance groups are willing to provide and the amount of points granted. This is due to the nature of this case study; without adequate insight, no statements can be verified. Several insurance groups were able to share information that provided enough insight to assess their approach. Other insurance groups chose not to share any information or answer any questions, and some shared a limited amount of information, which makes it very difficult to assess whether the answers the insurance groups provide are accurate. This in turn does not make it possible to determine whether the insurance groups that are not transparent enough comply with their own responsible investment policies. This is worrying when taking into account how severe the environmental and social risks are in the palm oil sector. There is very little to no room for financial institutions to show that they take responsibility to prevent deforestation and land grabbing by investee companies, without transparency.

Based on the results of this case study, the following recommendations are formulated:

1. Transparency should be increased

   The insurance groups can and should be a lot more transparent with regard to their investments and engagement processes. Without disrespecting the duty of care they have towards investee companies, they can and should be more transparent in the information they provide to society. Each insurance group should take the following steps in this regard:

   - Publish and regularly update a consolidated overview of the group's share- and bond holdings, covering all its assets under management;
   - Publish an annual overview of the number of companies with whom the insurance group has exchanged information regarding social and environmental issues (GRI indicator FS10);
   - Publish records of the engagement processes with individual companies or publish a detailed, and externally monitored overview of the goals and success rates of the engagement processes.

- Ensure that the annual sustainability report is audited by an independent auditor. This auditor should check whether GRI standards are taken into account and whether there is information in the report regarding each of the GRI criteria. These audits should be more than just a conclusion that there is no reason to believe that the given information would be contrary to the GRI standards. They should also assess whether sufficient information has been provided with regard to decisive criteria (like sector disclosure indicators FS6 and FS10).

2. Strict screening and monitoring is vital

   The palm oil companies in this case study have been involved in serious controversies in the last four years (2013 - 2016). Nevertheless, many of the controversial palm oil companies selected in this case study did not even 'fail' the initial screening used at some insurance groups, based on whether a company has violated the UN Global Compact principles. Some of these palm oil companies are only placed on a 'watch list'. It is not clear what happens regarding companies on the watch list. For some insurance groups further screening or engagement only starts after a company fails the initial screening. Given the seriousness of the controversies the palm oil companies were involved in, the threshold to 'fail' the screening is not adequate. Initial and follow-up screening should be strict for all insurance groups and also take into account the responsible investment policies of the insurance group as a benchmark, going beyond the UN Global Compact principles.

3. Scope of policies:

   a) Policies should be implemented irrespective of investment size

      Some financial institutions state that an investment is too small to consider for engagement, or that a small investment in a controversial company is not relevant. Nevertheless, it is a widespread expectation of civil society that responsible investment policies should be implemented to their fullest extent for all investments where human rights risks are salient, as articulated in the UNGP Reporting Framework.

   b) Policy implementation should be conducted across the value chain

      Beside palm oil growers and producers, large traders, retailers or consumer goods producers can and should also be included in the screening, voting, engagement and exclusion processes regarding deforestation and land grabbing. Several insurance groups already conduct engagement with such companies and this should continue. Many companies are part of the palm oil value chain and should all be part of finding solutions for the problems within the value chain.

4. Engagement:

   a) Ongoing engagement is necessary

   The risks of deforestation and land grabbing continue to be present for all palm oil companies, despite efforts to improve the situation by several companies in the past years. This means that engagement must be continued, also for the palm oil companies considered to be relative front-runners in terms of sustainability in the palm oil sector.

b) Engagements should have clear time-bound targets

When conducting engagements with companies in the palm oil value chain, clear and time-bound targets should be set by all investors. Conducting engagement without a distinct goal or expectation of an investee company, sets the bar too low. In this regard, it is also necessary to follow-up whether an investee company has made any progress over a certain period of time. Furthermore, it should be made clear that failure to improve will eventually lead to the investor ending the financial relationship with the investee company. When engagements are concluded, investors should report on the goals and achievements of the engagements.

5. Voting and filing shareholder resolutions:

a) Investors can work together to co-file shareholder resolutions

Filing a motion or a resolution at a shareholder's meeting can cost time and effort. However, it is in the benefit of all investors looking to improve sustainability that relevant resolutions are put to the vote. As many stand to gain, it makes sense for investors to work together to co-file a resolution. This also makes it easier to reach the minimum requirements to submit a resolution.

b) Voting should be prioritised more

There may not always be relevant shareholder resolutions to vote on at the annual shareholder meetings of palm oil producers. However there are many different companies in the palm oil value chain, with opportunities at the level of all of these companies to address the issues of deforestation and land grabs. It is for example possible to influence palm oil companies by voting for resolutions aimed at improving sustainability at the companies that buy or use palm oil from the palm oil producers, such as ADM, Unilever or Cargill. This case study identified a lack of awareness at some investors regarding this point.

Introduction

The objective of this Dutch Fair Insurance Guide (part of the Fair Finance Guide International) case study is to assess whether and if so, how, the ten largest insurance groups active in the Netherlands respond to the risk of being associated with and contributing to deforestation and land grabs through their investments in palm oil companies. The study focuses on the risks that arise due to investments in shares and bonds for the own account of the insurance group and through the management of assets for third parties.

In Chapter 1 background information on deforestation and land grabs is provided, as well as an overview of international standards and initiatives that support efforts to combat deforestation and prevent land grabs in the palm oil sector. The chapter concludes with the Fair Finance Guide International views on the responsibility of financial institutions and the potential strategies and tools for financial institutions to mitigate their contribution to the risks in the palm oil value chain.

Chapter 2 presents the methodology of this case study. The assessment process, indicators and scoring methodology are explained. In addition, the palm oil companies violating deforestation standards and contributing to land rights issues are selected in this chapter.

Chapter 3 gives a detailed analysis of the research results per insurance group. For all insurance groups the following information is presented:

- An overview of the relevant investment policies;
- The investments in the selected palm oil companies;
- The points granted for implementing the responsible investment policy by means of:
    - Screening;
    - Voting;
    - Engagement;
    - Exclusion; and
    - Commitments.
- An analysis of the responsible investment practices.

The chapter also features a statement of the insurance group on the issue of deforestation and land grabs and this particular case study, if a statement was provided.

In Chapter 4 the results of this case study are presented. Chapter 5 concludes the report with ten recommendations for the insurance groups.

A summary of the findings of this report can be found on the first pages of this report.

Chapter 1 Background information

The focus of this case study is on land grabs and deforestation in the palm oil sector. Palm oil companies have been and continue to be involved in both activities, with devastating consequences for the environment, local communities, indigenous people and climate change. In this section of the report, background information is provided on global deforestation and land grab trends, with a special focus on the relation with the palm oil sector.

1.1 Deforestation

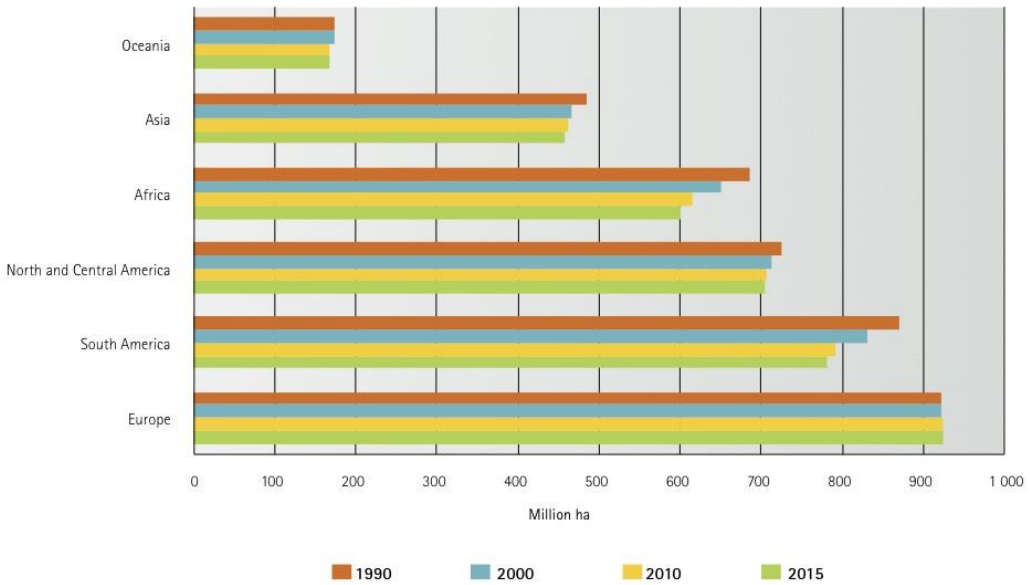
1.1.1 Global trends

The importance of forests is undeniable for humanity. Forests provide essential ecosystem services such as absorbing greenhouse gasses, providing clean water, food, wood, medicine and habitat to more than half of the world's land-based species. Moreover, forests serve as buffers in natural disasters such as erosion, flooding and landslides, to more than half of the world's land-based species.[1] Keeping forest intact is also of key importance in fighting climate change. Stopping deforestation and forest degradation will provide up to 33% of the carbon mitigation needed annually to avoid further rises in global temperature.[2]

Forests play an important role in the lives of different groups of people. For example, some people live inside the forest, while others live near the forest and are dependent on it for their livelihoods, whereas others are engaged in commercial activities that are based on forest resources. These categories also overlap and vary along with the definition of 'forest' and make it difficult to determine the number of people who actually depend on forests for their livelihood. However, estimates by the World Bank place this number at around 1.3 billion people.[3] About 350 million people - of whom 60 million are the original inhabitants of the forest - consider the forest to be their home: their social, cultural, and economic wellbeing is inextricably connected with the forest and the products they find there.[4]

Approximately 93% of forested areas in the world are natural forests and only 7% of them are human made forests.[5] The largest natural forests are in Europe, South America and North and Central America. Forests in Europe, North and Central America and Oceania have a relatively stable trend. Meanwhile forests in South America, Africa and Asia are decreasing rapidly. Figure 1 presents the extent of natural forest area loss by region from 1990 to 2015.

Figure 1 Natural forest area by region, 1990–2015



Source: FAO (2015), *Global forest resources assessment 2015; How are the world's forests changing?,* Rome, Italy: FAO, p. 20.

Deforestation is especially worrying in tropical regions, where much of the world's biodiversity exists. Research shows that in the last five years, in Southeast Asia, Indonesian forests have been decreasing at an average of 0.68 million hectares per year. Meanwhile in Central Africa, the amount of forests lost in the last ten years is estimated at over 0.5 million hectares per year.[6] It is in these areas, South-East Asia and Central Africa, where most palm oil is produced.[7]

The drivers of deforestations are varied. The most common drivers are:

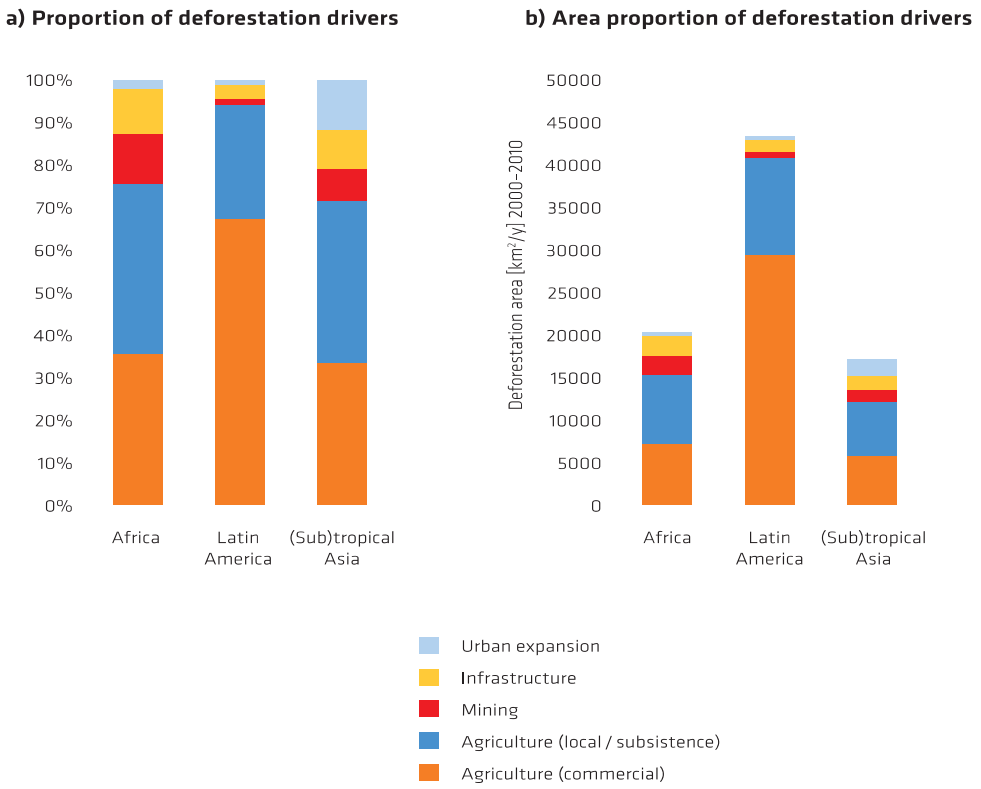
- development of agricultural lands;
- development of housing and urbanisation;
- timber harvesting for commercial items such as paper, furniture and homes; and
- creating space for cattle ranching.[8]

Amazonian forests are most severely threatened by the deforestation of land for cattle ranching, oil drilling or soybean production.[9] Forests in Southeast Asian countries are mostly threatened by development of agricultural lands especially for production of palm oil and logging activities. Mangrove forests in this region have also been converted mainly for shrimp farming or rice cultivation.[10] Meanwhile African forests are mainly threatened by agricultural expansion, fuel-wood collection, charcoal production and logging activities.[11] In recent years, research shows that specifically palm oil has become a driver of deforestation in Africa, especially in countries such as Uganda, Liberia, Nigeria and countries in the Congo basin.[12]

1.1.2 Deforestation in the palm oil sector

Academic research on deforestation trends points to agricultural expansion as the main driver of deforestation since the 1980's, as is also indicated in section 1.1.1.[13] The Global Institute of Sustainable Forestry, among other research institutes, estimates that agriculture is responsible for around 80% of deforestation worldwide.[14] In South America, commercial agriculture has been responsible for two thirds of all deforestation occurring in the region. Meanwhile in Africa and Southeast Asia, commercial and subsistence agriculture have formed the drivers for about one third of all deforestation in these regions between 2000 and 2010.[15] Figure 2 provides an overview of an estimation of different drivers of deforestation for three continents, based on information reported in 46 countries.

Figure 2 Deforestation drivers in three continents



Source: Kissinger, G., M. Herold, and V. De Sy, (2012), *Drivers of Deforestation and Forest Degradation: A Synthesis Report for REDD+ Policymakers*, Vancouver, Canada: Lexeme Consulting, p. 11.

One of the most important agricultural commodities traded internationally in recent years is palm oil. Palm oil is estimated to account for a quarter of the total value of commodities linked to illegal conversion of tropical forest (or roughly USD 16 billion) in international trade. About 32% of all palm oil traded internationally originated from illegally converted tropical forests between 2000 and 2012.[16]

Research published in 2015 by Fern found that in 2012, the European Union imported EUR 6 billion of soy, beef, leather and palm oil which were grown or reared on land illegally cleared of forests in the tropics – almost a quarter of the total world trade. Overall, slightly less than a quarter (by value) of all agricultural commodities from illegal deforestation in international trade are destined for the European Union. This includes 18 per cent of all palm oil.[17]

Global demand for palm oil has been growing rapidly since the late 1970s. The world production of this commodity is increasing greatly, from roughly 8 million metric tonnes in the late 1980s, to about 60 million metric tonnes in 2015.[18] The production area has also expanded vastly from approximately 4 million hectares in 1985 into over 19 million hectares in 2015.[19] The expansion of commercial palm oil plantations mostly occurred in the tropical forests of Indonesia and Malaysia. Today, the two countries supply over 85% of the global demand for palm oil.[20] However in recent years, palm oil companies have also set their sights on Africa. In South-East Asia, little arable land remains and palm oil companies have faced improved environmental and land acquisition regulations because of increasing awareness of the negative effects caused by palm oil expansion. Since 2011, Indonesia has had a primary forest deforestation moratorium in place, which has resulted in a temporary halt to the granting of new permits to clear forests and peatlands. These developments have triggered leading South-East Asian corporations to search for new frontiers.[21]

1.1.3 Impact of deforestation

Deforestation in general has many sustainability impacts, such as threats to biodiversity, habitat destruction and contributing to climate change. However, in the palm oil sector deforestation often occurs in an especially harmful manner. Palm oil expansion often shows a strong connection to the clearance and drainage of peat-swamps and lowland rainforests. The conversion of these forests typically causes massive carbon dioxide emissions to the atmosphere. For example, oil palm plantation development on Borneo's peatland is projected to contribute more than 558 million metric tons of carbon dioxide to the atmosphere by 2020.[22]

Drained peat-swamp is highly flammable, and fires set in peatlands can burn deep below the surface. Such fires may smoulder for months or even years, and are hard to extinguish. These fires have caused smog, haze, respiratory problems and death.[23] In September 2015, emissions from the forest fires in Indonesia are estimated by the Global Fire Emissions Database to have exceeded the average daily emissions from all United States daily economic activity. Global Forest Watch Fires has shown that over half of these fires occurred on peatland areas.[24] Research published in 2016 has estimated that over 100,000 early deaths in Southeast Asia in 2015 can be linked to the haze caused by forest fires in the same year.[25] Repeating haze disasters in Indonesia that also affect Malaysia and Singapore have also been linked to palm oil sector development.[26] Fires happen accidentally but are also often set intentionally, as a relatively easy method to clear large parts of forests for agricultural development. Burning forests as a method of clearing land for agricultural development is illegal in certain countries, such as Indonesia, however the practice still occurs frequently.[27]

Deforestation connected to palm oil expansion also poses a specific threat to biodiversity in many regions, in part due to the fact that oil palm grows best in some of the most biodiverse and pristine forest areas on Earth. Especially in Indonesia, one of the most species-rich areas in the world, many rare mammals such as the orangutan, tiger and forest elephant are threatened with habitat destruction.[28] However, forests in palm oil production regions in South-East Asia, Africa, South-America and Mesoamerica all are home to globally high concentrations of mammal and bird species at risk of extinction.[29] In Africa, roughly 60% of palm oil concessions, which have not yet been developed, overlap with the habitats of gorillas and chimpanzees.[30]

1.2 Land grabs

1.2.1 Global trends

The expansion of agricultural activities is often associated with the expropriation of land inhabited by local communities or indigenous peoples. The term 'land grabbing' has become widely used to describe this trend that has triggered much international debate. It is described by Olivier De Schutter, the former United Nations (UN) Special Rapporteur on the Right to Food, as:

> "[A] global enclosure movement in which large areas of arable land change hands through deals often negotiated between host governments and foreign investors with little or no participation from the local communities who depend on access to those lands for their livelihoods."[31]

In short, land grabs can be legal and illegal (legalisation by states) or appropriation of land without titles. Land grabs occur when foreign companies, countries, or investors buy, rent or appropriate land for large-scale industrial and/or commercial agriculture production oriented on the export market at the expense of rights of the local communities concerned. These rights are, for example, expressed in the Voluntary Guidelines on the Responsible Governance of Tenure, concerning respect for all forms of tenure: [32]

- public;
- private;
- communal;
- indigenous;
- customary; and
- informal.

Mainly in developing countries, the lack of consultation and transparency for the allocation of land is a problem. Moreover, there is an issue with land tenure security and evictions and conflicts over land that are frequently paired with a violation of basic principles, such as guaranteeing FPIC, conducting the necessary impact assessments, providing compensation and rehabilitation. Beside these direct consequences, there is the problem of the reduced availability of land for local actors.[33]

As a result of land grabs, local communities are not only deprived of the right to use the land, but also of their familiar habitat, cultural sites and sources of food and income.[34] There are three main reasons why community lands are not legally secured by their original inhabitants:

- Laws often do not recognise communities as landowners;
- Laws often only recognise communities as occupants of government-owned land; and
- Communities often must register to receive legal protection.[35]

Land grabbing is a complex social and legal problem with various impacts and encompasses issues such as:[36]

- Forced evictions and displacement from land;
- Rights of indigenous peoples;
- Women's rights to land;
- Water security; and
- Food security.

The increase in land grabs is a global phenomenon. While the occurrence of land grabbing has historically been high in West Africa, research shows that it also occurs throughout South and Central America, Asia and Eastern Europe. The combination of campaigns by civil society groups and transnational networks have alerted the world to the global land grab underway and its considerable negative impacts on communities and ecosystems. Research on land grab trends is complicated due to issues of tracking instances of the phenomena. The International Food Policy Research Institute reports that land deals have increased by 20 million hectares between 2005 and 2009.[37] The World Bank (2010) reports a number of 45 million hectares since 2007-2008 and Oxfam (2011) has reported an increase of 227 million hectares since 2000. [38] However, it is shown that there is a trend of large-scale acquisition of land and the increase of long-term leases. The leases usually range from 30 to 50 or even 99 years, with the option of renewal. The terms of these leases frequently disfavour local communities in such a way that they constitute cases of land grabbing.[39]

It is quite challenging to specify the true extent of land grabbing. A problem is that many deals are simply not reported, many take place in secret and some communities simply do not know that the transactions that take place can be classified as examples of land grabbing or do not find a proper forum to make their voices heard. However, even with greater transparency regarding land deals it would still be difficult to estimate the degree of land grabbing for a variety of reasons.

- Projects involved in large-scale land acquisitions can be at widely different stages of planning and operationalisation; and
- Financing behind many projects is fluid and can change abruptly;

Furthermore, there is a problem of unreliable and corrupt recording of measurable data about land and land use, a problem which involves both technical and political factors.[40]

Lastly, in recent years a change in dynamics of land regimes as an investment category has occurred, as a response to investors looking for safe investments after the financial crisis of 2008 and due to a decrease in oil investments as a response to environmental protection in the context of the climate change.[41]

1.2.2 Land grabs and palm oil expansion

The expansion of palm oil has often been linked to land grabs.[42] Frequently tropical rainforests targeted for palm oil development are home to forest-dependent communities who have managed the forest for generations. Governments often consider these forest lands as state land and subsequently allocate large portions of it and make agreements with palm oil companies for plantation development without Free, Prior and Informed Consent (FPIC) of local communities and indigenous peoples. In this process, communities are often not informed of the agreement until the exploration or the construction begins. In Indonesia alone, over 3000 land conflicts between palm oil companies and local communities were registered in 2013.[43]

An example of the main target of the expansion of oil palm plantations in Indonesia is Sulawesi. Since 2005, the area covered by oil palm in the country has nearly doubled, and now covers 8.2 million hectares, about a third of all of Indonesia's arable land. With little land left for expansion on the island of Sumatra, where production was traditionally concentrated, companies are turning to the islands of Kalimantan, Sulawesi, and Papua. The main players in the country's palm oil industry use their accumulated monetary power and political connections to grab the lands of the country's most marginalised communities, often in collusion with foreign agribusiness companies and banks.[44] In the last decade, land grab practises linked to palm oil have also increased in the Congo basin in Africa, where new commercial plantations are being developed. Cases of conflicts with communities over land have been reported in countries such as Nigeria, Liberia, Uganda, and Cameroon.[45] In several West and Central African countries, the protection of private property is still limited to lands with registered titles. Chain Reaction Research indicates that up to 90 percent of sub-Saharan Africa's land area does not have legal owners and consequently falls to the state. However, this does not necessarily mean that the land is unoccupied, unused or unclaimed by forest-dependent communities. The majority of forested land is claimed under customary rights by at least one ethnic group or community. When this land is allocated to companies aiming to exploit forest resources, this can lead to conflicts with customary forest rights-holders.[46]

Palm oil is currently still mostly used to manufacture food products. However, palm oil is increasingly also used as an ingredient in bio-diesel and as a fuel to be burnt in power stations to produce electricity. This is a new market for palm oil that has dramatically increased global demand for the commodity.[47]

1.2.3 Impact of land grabs

As stated in section 1.2.2, local communities are usually the group that suffers the impact of land grabs. There are some key impacts that should be highlighted to illustrate the effects of land grabbing practices on these communities.

Firstly, communities living and working on the land acquired for palm oil plantations are often forcibly displaced without any compensation or alternative livelihood options. Often these communities are promised that they will be able to legalise their claim on the land or receive other benefits by joining the project (e.g. new schools, infrastructure, jobs) but in reality, this rarely happens. It is often argued by palm oil companies that the projects provide employment opportunities, however this rarely compensates for the income loss from the community that has been dependent on the land before the plantations was created. It has been shown that it is difficult for women in particular to benefit from palm oil plantations. Furthermore, evidence shows that projects can further marginalise women by removing access to communally owned land, forests and other resources that women and their families most rely on.[48]

Another group that is particularly impacted by the practice of land grabbing are indigenous peoples. The practice not only denies indigenous people access to their primary source of livelihood but also leads to deforestation, to changes in the biodiversity of their ancestral lands and territories and has a great effect on the cultural heritage of the communities. Indigenous people often do not hold formal titles to their lands and their land rights are therefore not recognised or protected by governments. When an investor or a company negotiates a lease with a government, indigenous peoples' customary lands rights are thus often simply ignored. As noted by the United Nations Inter-Agency Support Group: "The lack of formal State recognition of traditional tenure systems marginalizes indigenous peoples further from the dominant society and leaves them more vulnerable to rights abuses."[49]

Finally, the impact that land grabs have on the food and water security of local communities should be emphasised. Natural forests have a great impact on the access to water for many communities. This is highly affected when the land is instead used for plantations of palm oil. Examples of this are seen in Uganda where large areas of land have been grabbed to be used for palm oil plantations. Main water sources have been rendered unusable by pollution or by the plantation by blocking access to the water, which has left hundreds of people without access to clean water.[50] In addition, food security for many local communities depends on small-scale agriculture. This type of agriculture is often highly threatened when land is used for other purposes by large palm oil companies. This consequently has the direct effect of increased food prices and food insecurity for local communities. [51]

1.3 Linking land grabs and deforestation

In the palm oil sector, deforestation and land grabs constitute two key challenges in terms of sustainability and human rights risks. While deforestation and land grabs are two distinct issues that can occur separately, both frequently occur together in the palm oil sector. Forested land that is acquired without the Free Prior Informed Consent (FPIC) of local and Indigenous communities or land users, usually must be deforested in order to create palm oil plantations. Therefore, in this case study they are approached together.

The following issues are highlighted as relevant sustainability and human rights topics in the palm oil sector. Issues vary depending on the topic but do also overlap.

Regarding land grabs, the following sustainability issues require attention from investors:

- Third-party smallholder inclusion;
- Community inclusion;
- Land tenure legality;
- Forced evictions;
- The rights of indigenous people;
- Gender issues;
- The fair and equal use of forests; and
- Ensuring Free Prior Informed Consent (FPIC).

Regarding deforestation, the following sustainability issues require attention from investors:

- Third-party smallholder inclusion;
- Community inclusion;
- Land and forest conversion;
- Clearing peat land;
- Fire prevention;
- Use of fire to clear forests;
- Threats to biodiversity; and
- Damage to protected areas.

Finally, there are two issues that play the same role for both deforestation and land grabs. Most importantly, responsible practices in relation to both issues require commitments to:

- Traceability in the supply chain; and
- Transparency.

In section 1.4 several standards and initiatives are described, which financial institutions can use to address the risks of land grabs and deforestation through their investments. The steps financial institutions take to do so, should be guided by these standards.

1.4 International standards and initiatives

There are several international standards and multi-stakeholder initiatives to support efforts to combat deforestation and prevent land grabs in the palm oil sector. Governments, private sector actors and NGOs create these standards, initiatives and certifications. The most relevant standards, initiatives and certifications in the palm oil sector for the protection of forests and the prevention of land grabs are described in this section. The section contains both general standards that cover multiple issues, as well as sector-specific initiatives or standards.

Financial institutions should use these standards and initiatives to guide the way that they address the risks of land grabs and deforestation through their investments, for example by integrating the expectations of certain standards into policies. Investors should expect palm oil companies to make commitments on important issues, such as the use of fire or obtaining FPIC from all land users, local and indigenous communities.

1.4.1 Protected areas and high carbon stock

The International Union for Conservation of Nature (IUCN) defines protected areas as "a clearly defined geographical space, recognised, dedicated and managed, through legal or other effective means, to achieve the long term conservation of nature with associated ecosystem services and cultural values.". Forestry activities in all protected areas that fall within the categories I-IV of the World Conservation Union, the UNESCO World Heritage Convention and the Ramsar Convention on Wetlands require special attention and protection.[52]

The International Finance Corporation's (IFC) Performance Standard 6, concerning Biodiversity Conservation and Sustainable Management of Living Natural Resources, determines how companies should operate in order to avoid negative consequences in areas of high biodiversity value, including impacts on natural habitats as well as endangered and endemic species.[53] The requirements in the standard have been guided by the Convention on Biological Diversity.[54] While the Performance Standards are meant to be used for finance and in particular project finance, these standards are also relevant for the financial activities of insurance groups, therefore insurance groups can still choose to apply the criteria in their policies and screening practices.

The Forest Stewardship Council (FSC) has developed the High Conservation Value Forests (HCVFs) concept. HCVFs describe forest areas with special attributes that make them particularly valuable for biodiversity and/or to local people, and are defined as "natural landscapes of which the conservation value - including the presence of rare animal species and sacred sites have traditional importance to local or indigenous people." The objective of assigning a HCVF-label to certain forest areas is to be able to better identify valuable forests, developing suitable protection so important ecological and social economic values remain preserved. The FSC criteria on HCVFs can also be used as an example for the development of investment criteria and screening practices.[55]

A global HCVF Toolkit, developed by IKEA and ProForest, provides starting points for applying the concept and implementation on a national scale. Organisations supporting the HCV Resource Network HCV Charter can register as such.[56]

The High Carbon Stock (HCS) Approach is a methodology to identify areas of land suitable for plantation development and forest areas that ought to be protected in the long term. The HCS methodology distinguishes natural forest areas from degraded lands (former forest) that now contain only small trees, shrubs or grasses. HCS forests store a lot of carbon that would be released into the atmosphere if converted into plantations, as well as having rich biodiversity values.[57] The methodology was originally developed by Greenpeace, The Forest Trust (TFT) and Golden Agri-Resources (GAR), and is now governed and will be further refined by a multi-stakeholder body called the High Carbon Stock Approach Steering Group. The HCS Approach is now used by plantation companies that have made a commitment to exclude deforestation from their supply chains.[58]

The Roundtable on Sustainable Biomaterials (RSB) has developed principles and criteria for sustainable biomass production, after three years of consultation with various stakeholders. The RSB offers Global Standards that apply to any type of feedstock worldwide and EU-RED Standards that apply to feedstock entering the EU market and comply with the EU Renewable Energy Directive regarding land-use and GHG criteria.[59]

Another certification scheme for biomass and bioenergy industries is the International Sustainability and Carbon Certification (ISCC) scheme. The ISCC is oriented towards the reduction of greenhouse gas emissions, sustainable land use, protection of the natural biosphere and social sustainability. ISCC can be applied both to meet legal requirements in the bioenergy markets, as well as a way of demonstrating the sustainability and traceability of feedstock in the food, feed and chemical industries (ISCC PLUS). The ISCC scheme currently certifies over 2,500 operations worldwide, of which at least 300 are palm related. This includes plantations, mills, refineries, biogas plants, warehouses, trading and waste management systems, among others.[60] The ISCC scheme is more limited than the RSPO standard, to be discussed in 1.4.5, when it comes to the issue of land grabs but has a stronger focus on environmental issues.

1.4.2 Land rights and forced evictions

There are several standards and guidelines regarding land rights and forced evictions. Some of these focus on specific groups, others are more general.

The former UN Special Rapporteur on the right to food, Olivier de Schutter, has developed a set of core principles and measures to address the human rights challenge of large-scale land acquisition and leases. These principles include the notion that any shifts in land use can only take place with the free, prior and informed consent of the local and communities concerned (FPIC). This is important for indigenous communities; in view of the discrimination and marginalisation they have been historically subjected to.[61]

In May 2011, the Tirana Declaration was adopted by over 150 representatives of civil society organisations, social movements, grassroots organisations, international agencies, and governments - including the members and strategic partners of the International Land Coalition (ILC) such as the World Bank, FAO, IIED and the IFAD.[62] The Declaration defines land grabs as follows:

> "acquisitions or concessions that are one or more of the following: (i) in violation of human rights, particularly the equal rights of women; (ii) not based on free, prior and informed consent of the affected land-users; (iii) not based on a thorough assessment, or are in disregard of social, economic and environmental impacts, including the way they are gendered; (iv) not based on transparent contracts that specify clear and binding commitments about activities, employment and benefits sharing, and; (v) not based on effective democratic planning, independent oversight and meaningful participation."[63]

Financial institutions can use the Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security (VGGT) as a reference that sets out principles and internationally accepted standards for practices for the responsible governance of tenure. The guidelines not only provide a framework that states can use when developing their own strategies, policies, legislation, programmes and activities. They also allow the private sector to judge whether their proposed actions and the actions of others constitute acceptable practices. The VGGTs are guidelines aimed at promoting secure tenure rights and equitable access to land, fisheries and forests, as a means of eradicating hunger and poverty, supporting sustainable development and enhancing the environment.[64]

The UN Declaration on the Rights of Indigenous Peoples, adopted in 2007, sets out the individual and collective rights of indigenous peoples, including their right to self-determination and to maintain and strengthen their distinct political, legal, economic, social and cultural institutions. The Declaration also prohibits discrimination against indigenous peoples. Moreover, it recognises the rights of indigenous peoples to their land, habitat and other resources that they traditionally own, cultivate or otherwise use.[65]

The Akwé: Kon Guidelines require the conduct of cultural, environmental and social impact assessments regarding developments proposed to take place or which are likely to impact on sacred sites and on lands and waters traditionally occupied or used by indigenous and local communities.[66]

Gender issues in the management of natural resources likewise need to be given adequate attention in the palm oil sector. In many regions where palm oil plantation development is suitable, women are often the main users of the natural resources. In the IFC Performance Standards, it is determined that the assessment of land and natural resource use should be gender inclusive and specifically consider women's role in the management and use of these resources. Companies should show special attention to women's rights, beyond a commitment to gender equality.[67]

Free Prior Informed Consent (FPIC) is the principle that states that all land users involved in a land deal have the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use. Companies prevent conflicts over land rights and acquire natural resources only by engaging in meaningful consultation with local communities and obtaining Free, Prior and Informed Consent (FPIC) when it concerns local communities (indigenous communities and other/all land users involved).[68]

While the Performance Standards or Equator Principles are meant to be used for finance and in particular project finance, insurance groups can still choose to apply the criteria in their screening practices. IFC Performance Standard 7 determines in what way financial institutions should require financed companies to obtain their Free, Prior, and Informed Consent (FPIC) to engage local communities in a process of Informed Consultation and Participation (ICP) for projects with potentially adverse impacts for indigenous people.[69] Principle 5 of the Equator Principles determines how financial institutions should require financed companies to demonstrate effective stakeholder engagement as an ongoing process in a structured and culturally appropriate manner with affected communities and, where relevant, other stakeholders. For projects with potentially significant adverse impacts on local communities, companies will conduct an informed consultation and participation process.[70]

The UN Declaration on the Rights of Indigenous Peoples guarantees the right of indigenous people not to be forcibly removed from their lands or territories, and that no relocation shall take place without their Free, Prior and Informed Consent (FPIC). FPIC in these cases also includes making agreements about just and fair compensation in the future, if new conflicts were to arise. This also includes agreements on the possibility of return of land or natural resources.[71]

1.4.3 Grievance mechanism for adverse human rights impacts

Society expects companies to establish a grievance mechanism for individuals and communities that may be adversely impacted by their activities. The following standards support this expectation.

The OECD Guidelines for Multinational Enterprises contain recommendations to companies to provide for or co-operate through legitimate processes in the remediation of adverse human rights impacts, when companies have caused or contributed to these impacts. The Guidelines consist of non-binding principles and standards for responsible business conduct in a global context, in line with applicable laws and internationally recognised standards.[72]

The UN Global Compact principle 1 states that a company should have or participate in remediation processes. This allows the company to address any possible adverse human rights impacts that it has caused or contributed to.[73]

IFC Performance Standard 1 can provide guidance for insurance groups regarding grievance mechanisms, as it requires financed companies to establish a grievance mechanism to receive complaints and to facilitate the resolution of affected communities' concerns and grievances concerning the client's environmental and social performance. The standard states that this mechanism should be transparent, understandable and adopt a culturally appropriate consultation process, which is accessible to affected parties and does not involve any cost or retribution for the party voicing the concern.[74] Equator Principle 6 states that for projects where there is either a strong or a limited risk of adverse environmental or social impacts, companies are expected to establish a grievance mechanism that is designed to receive and facilitate the resolution of concerns and grievances about the project's environmental and social performance. The grievance mechanism must be culturally appropriate, transparent, easily accessible, scaled to the risks and impacts of the project and have affected communities as its primary users.[75]

In the UN Guiding Principles for Business and Human Rights, Principle 22 states that where business enterprises identify that they have caused or contributed to adverse impacts, they should provide for or cooperate in the remediation of these impacts, through legitimate processes.[76]

1.4.4 Transparency and accountability

Transparency is very important in the palm oil sector. Transparency makes it possible to have a certain level of public control of companies' activities in this sector. Information such as planned business expansion, detailed activities, locations, capacity/volume/hectarage, etc., is essential to identify a company's risk of involvement in a controversial case.[77] To increase transparency, financial institutions can require or request companies to disclose their plans for business expansion and development. Financial institutions can, for example, use the Sustainable Palm Oil Transparency Toolkit to find information about how palm oil companies are doing in terms of transparency and sustainability.[78]

Financial institutions can also require companies to publish a sustainability report, following established guidelines such as the GRI G4 Sustainability Reporting Guidelines.[79]

UN Global Compact principle 8 contains transparency and accountability requirements. Principle 8 states that businesses should use communication and reporting tools that are independently audited. A statement from the independent auditor is also necessary, declaring that the report is reliable and trustworthy.[80]

An important aspect of transparency is traceability. Traceability is a complicated and challenging task, due to the complexity of palm oil supply chains. However, traceability is vital because it provides insights into where products are sourced from and what the impacts on the ground can be.[81]

Currently there are three common traceability methods practiced in the palm oil sector:[82]

- First, segregation is a traceability method which separates (does not mix) the (certified) palm oil in the whole supply chain process;
- Second, 'the Mass balance method': this method mixes certified palm oil with conventional (uncertified) palm oil but the process of mixing is monitored administratively; and
- Lastly, 'the Identity Preserved (IP) method': this method assures that the RSPO certified palm oil and its derivatives delivered to the end user is uniquely identifiable to the mill and its supply base and is kept physically isolated from all other oil palm sources throughout the supply chain (including other segregated RSPO-CSPO (Certified Sustainable Palm Oil) sources).

A number of big consumer goods manufacturers such as Unilever, Nestle, Ferrero and others have attempted to use only traceable palm oil for their productions.[83] Big palm oil traders such as Wilmar and Golden Agri Resources have set a target to ensure that the palm oil in their business will be completely traceable.[84] The efforts to provide fully traceable palm oil in the global market are still being developed and should also receive endorsement from investors in the palm oil sector.

The Rainforest Alliance (RA) and the Sustainable Agriculture Network (SAN) together operate a global system for certifying the sustainability of farms in a variety of sectors, including the palm oil sector. Products that meet the SAN sustainability requirements receive the Rainforest Alliance certification seal. The SAN Sustainable Agriculture Standards are the core criteria within SAN's sustainability standards. They cover several areas, such as wildlife protection, water conservation, ecosystem conservation, and community relations, among others.[85]

1.4.5 Sector specific initiatives

The Roundtable on Sustainable Palm Oil (RSPO) is a voluntary global initiative that promotes the use of Certified Sustainable Palm Oil (CSPO). The organisation was established in 2004 to develop and implement global standards for sustainable palm oil.[86] Palm oil producers are certified based on the RSPO Principles & Criteria for Sustainable Palm Oil Production by accredited organisations (Certifying Bodies). Members of this initiative are stakeholders in the palm oil sector including producers, processors or traders, consumer goods manufacturers, retailers, banks/investors, and environmental and social non-governmental organisations (NGOs).[87] The RSPO claims to have more than 3,000 members worldwide who represent all links along the palm oil supply chain and to have certified 17% of all palm oil produced globally.[88]

The Palm Oil Innovation Group (POIG) is an initiative between environmental and civil society organisations and industry companies that aims to build upon the RSPO Principles and Criteria (P&C) as well as existing company commitments. The POIG especially focuses on issues of deforestation, carbon stocks, biodiversity, greenhouse gas emissions, pesticide use and social issues. The POIG Charter argues that certain RSPO P&C should set clearer performance standards for certified palm oil growers with the following recommendations:

- Introduce a High Carbon Stock (HCS) approach to land development;
- Maintain and restore peatlands and prohibit their clearance;
- Publicly report GHG emissions from all sources;
- Minimize the use of chemical fertilizers and toxic pesticides;
- Prohibit cultivation of Genetically Modified Organisms (GMOs);
- Manage water sources and their use responsibly and transparently; and
- Protect and conserve wildlife through High Conservation Value (HCV) assessment.

POIG members have stated that this approach will build a business case for responsible palm oil by bridging the gap between producers and consumer companies such as Nestlé and Unilever, which have made "No Deforestation" commitments.

In 2014, POIG released its first 'Charter Indicators' list, in which it stipulates the specific conditions that must be met regarding issues such as peat development, HCV and HCS management and the FPIC process, among others. These indicators have since been trialed and revised.[89]

In 2015, RSPO launched a voluntary addendum to the existing RSPO Principles and Criteria certification, called RSPO NEXT. This addendum aims to engage with RSPO member companies that have met the current requirements of the RSPO Principles and Criteria and, in addition, through their policies and actions, exceeded them. RSPO NEXT applies to the practices on the ground, which are not limited to the RSPO Certified operations but also sets up requirements in relation to suppliers of raw materials, regardless of the path of delivery of that supply. The different parts of RSPO NEXT are divided into the following categories:

- No Deforestation;
- No Fire;
- No Planting on Peat;
- Reduction of GHGs;
- Respect for Human Rights; and
- Transparency.

All are applicable at an organisation level, including investments, joint ventures and in the organisation's wider supply base.[90]

The High Carbon Stock Approach (HCSA) Steering Group is a separate development that governs an established methodology supporting industry stakeholders to implement commitments to end deforestation associated with the production of palm oil and other commodities. Established in 2014, the group was formed to oversee the further development of the methodology and its use in the field.

The Soft Commodities Compact is developed by the Banking Environment Initiative (BEI) and the Consumer Goods Forum (CGF). The main goal of this initiative is to align the banking industry's services with the CGF's 2010 resolution to mobilise resources within their respective businesses to help achieve zero net deforestation by 2020. Compact banks make two commitments, which are: financing the transformation of supply chains of palm oil, timber products, soy and beef to be aligned to CGF's zero net deforestation goal and raising industry-wide banking standards.[91]

Several very large companies, notably traders in the palm oil sector such as Archer Daniels Midland and Wilmar International (the latter controls roughly 45% of the global market in palm oil), have adopted 'no deforestation' policies in recent years.[92] These policies set a high benchmark, often allowing no deforestation, no peat development and no exploitation (NDPE), in their own operations or in their supply chain. Although these first cases are directed at the palm oil sector, financial institutions may apply the policies to other sectors causing deforestation, peat loss and conflicts as well.

1.5 Responsibilities of financial institutions

According to the Fair Finance Guide International network, financial institutions' Corporate Social Responsibility (CSR) efforts should primarily concern their core activity of providing capital and not their own internal operations. Financial institutions offer their clients a wide range of financial services with which they enable companies, governments, and private clients to acquire capital for all kinds of activities. This can encompass activities that have positive and or negative side effects, for example by leading to human rights violations, environmental pollution, combating malnutrition or improving biodiversity.

The question Fair Finance Guide International raises is, therefore, to what extent financial institutions support, through their financial services, activities that contribute to a socially just and sustainable world. According to Fair Finance Guide International, financial institutions should expect companies to whom they provide capital, as well as their suppliers, to comply with widely supported international standards and initiatives. This should be done by formulating policies, as assessed in the Fair Finance Guide International policy updates, as well as through the implementation of said policies, as is assessed in this case study.

An insurance group hedges risks. An insurance is a contract which ensures that the insurance group pays damages to the insurant in certain situations (such as damages caused by fire or by an accident, in the event of death, or for medical costs due to disease) in exchange for a certain premium the insurant pays.

When the parties conclude the contract, they don't know whether damages will ever have to be paid or, if so, how much damages will be paid. The insurance groups invest the premiums that people pay for their insurance. Insurance groups receive money from several sources and they invest this money in several ways in private people's, companies' and governments' activities. Therefore, insurers are key players on the capital market: they create a flow of society's capital from private people and institutions such as pension funds, towards (other) private people, companies and governments who need money to finance their activities.

Insurance groups can, through their investments in companies in the palm oil sector, become involved in deforestation and or land grabs. For the selected insurance groups active on the Dutch market, these risks can exist in the following financial relationships:

- Investments for own account: investments in (sovereign and corporate) bonds, shares and other types of securities for the account of the financial institution, listed on the financial institution's balance sheet.
- Asset management for the account of third parties: the management of a client's investments in all types of securities by a financial services company, such as an investment bank, a private bank, an investment manager or an asset manager. These investments are usually not listed on the balance sheet of the financial institution. This category includes all funds and mandates which are managed actively or passively for clients, as well as all forms of investment advice offered to clients. The definition of asset management used here does not apply to trading platforms managed by financial institutions, where financial institutions do not provide investment services.

1.6 Strategies for financial institutions

Sections 1.1 to 1.4 gave an overview of the issues at stake in the palm oil sector, focussed at the phenomena of deforestation and land grabs. This was followed by an overview of the leading international standards and initiatives that financial institutions can apply to prevent land grabs and combat deforestation. Section 1.5 provided a description of what the Fair Finance Guide International views as the responsibility of financial institutions. In this section, these expectations are incorporated into the specific tools and strategies financial institutions can apply to meet their responsibilities.

Financial institutions can use several strategies to address the risks of deforestation and land grabs that result from their investments in palm oil companies. Through these strategies, they should leverage their influence to encourage the investee companies to act responsibly. This section describes a selection of different strategies available to investors to take responsibility for the impacts of their investments.

1.6.1 Policies

When considering the palm oil sector, a financial institution can and should at least draft policies in which it clearly states its position and expectations of palm oil companies regarding deforestation and land grabs.

In terms of a policy that addresses human rights risks and impacts in general, including those that stem from land grabs and the issues surrounding land grabs, a reference to the IFC Performance Standard five on land acquisition and involuntary resettlement.[93]

An acceptable policy regarding land grabs should at minimum also reference international standards and treaties regarding human rights, the rights of indigenous people, local communities and environmental protection, as mentioned in section 1.4. A good policy should go beyond referencing international treaties and standards, by paying attention to the problems surrounding land grabs specifically. Good policies should ideally expect companies to describe what methods they are applying to improve traceability and transparency in their supply chain, as for example described in section 1.4.4. Companies could also be asked to publish their expansion plans. Furthermore, in a good policy, financial institutions should extend their expectations of palm oil companies to include suppliers and subcontractors as well.

Regarding deforestation prevention, an acceptable policy should at minimum reference standards and initiatives regarding High Conservation Value areas and protected areas, as described in section 1.4. The policy should ideally also contain expectations regarding the prevention of illegal logging, deforestation and land clearance.

A good policy regarding deforestation goes beyond referencing standards and initiatives and includes clear expectations, definitions and scope. As is the case for the issue of land grabs, deforestation policies should ideally expect companies to describe what methods they are applying to improve traceability and transparency in their supply chain, as for example described in 1.4.4. Finally, company commitments regarding No Peat, No Fire, No Deforestation and No Exploitation (NPFDE) should be expected, in order to make sure business practices in the palm oil sector prevent the occurrence of deforestation.

1.6.2 Screening

Financial institutions can use screening to assess whether palm oil companies comply with their investment policies before going forward with an investment. This tool can be used to identify past or existing impacts and prevent future negative impacts resulting from the financial institution's investments in palm oil companies.

In relation to the risks of deforestation and land grabs, screening can ideally be used in the following ways:

- to find out whether palm oil companies have been involved in deforestation and/or land grabs in the past;
- to assess whether palm oil companies have adequate policies, in line with the policies of the financial institution and based on international standards, to prevent deforestation and land grabs;
- to determine whether palm oil companies are certified in accordance with the desired certification schemes;
- to determine whether the suppliers of palm oil companies are certified in accordance with the desired certification schemes;
- to assess whether palm oil companies employ satisfactory systems to avoid deforestation and land grabs; and
- to assess whether palm oil companies take measures to address any adverse impacts they may have caused or contributed to.

The screening approach, including the content of this screening process, is dependent on the policies and underlying principles, a financial institution has and uses. Screening can therefore be more extensive or less extensive than described here, thereby addressing more or fewer of the points listed above and in the list on land grabs and deforestation in section 1.3.

1.6.3 Engagement, monitoring and voting

For existing investments, financial institutions can use engagement as a tool to achieve positive change in the activities or policies of an investee company and its suppliers. Engagement can refer to a broad range of activities, all involving communication with investee companies. Engagement is a form of active ownership, where shareholders address issues that they are concerned about, by bringing them to the attention of a company's senior management or other stakeholders. Moreover, engagement can be a valuable tool to stimulate one company (including its suppliers) to become more sustainable but it can also have a wider effect, by causing other similar companies to take notice and improve their policies and practices as well.[94]

Financial institutions can conduct engagement themselves or through a third party, such as an asset manager or service provider. It is important that engagement takes place within a set timeframe and is structured by a clear process. This process should contain some form of deadline to achieve improvement or change, or to decide that no improvement has been made and that engagement has therefore been unsuccessful. Concluding that engagement has not been successful should ideally involve subsequent consequences for the financial relationship.

The process of engagement can be simple or extensive, proactive or reactive. Ideally an engagement process would involve the following phases, distinguished by Eurosif:[95]

- Defining: write a policy for engagement, including objectives and subject;
- Observing: identify companies with a risk and select those that will be eligible for engagement;
- Acting: set reasonable objectives and a corresponding strategy for each company and start with engagement;
- Responding: evaluate (after the first results) whether the strategy must be adjusted (further engaging, collaboration with other financial institutions) or that the engagement process should be terminated; and
- Communicating: measure the results and communicate them to clients and other stakeholders.

In practice, financial institutions can employ various strategies in their engagement with palm oil companies. Such strategies could concretely consist of the following steps:[96]

- Financial institutions can monitor companies to determine whether companies continue to comply with the investment policies;
- Financial institutions can initiate a dialogue with a company and asking questions concerning its policies, activities and suppliers, especially when indications arise that companies and/or their suppliers do not comply with the financial institution's policies;
- Shareholders can file or co-file shareholder resolutions on topics to stimulate discussion and finally achieve an agreement with company management;
- Shareholders can cast votes on shareholder resolutions;
- Financial institutions can participate in public policy initiatives to drive positive change and influence companies;
- Shareholders can join shareholder coalitions to motivate companies to change;
- Financial institutions can use their influence within, for example, the RSPO to strengthen ESG standards and increase pressure on RSPO members to comply with these standards, and/or by promoting RSPO NEXT or requiring companies to comply with this addendum; and
- If engagement does not produce satisfactory results, financial institutions can also cooperate with other financial institutions, governments and NGOs to increase pressure on palm oil companies to improve their business practices.

1.6.4 Exclusion and divestment

When a palm oil company (or its suppliers) for an extended period of time does not comply with the investment policies of the financial institution, and/or is found to be unresponsive to engagement attempts, financial institutions can choose to end the financial relationship. A policy stating that a financial institution will be prepared to end an investment in certain cases if a company (or its suppliers) does not improve its policies or activities in terms of deforestation or land grabs, will provide more credibility to the financial institution and its efforts to avoid being involved with land grabs or deforestation.

Chapter 2 Methodology

In Chapter 1 a description is provided of the issues of deforestation and land grabs in the palm oil sector, including the standards and initiatives financial institutions can use to address these issues. Furthermore, in sections 1.5 and 1.6, a description is provided of what the Fair Finance Guide International sees as the responsibilities of financial institutions as well as what strategies they should use to meet their responsibilities.

In this chapter the methodology of the case study is described. The chapter provides information about:

- the objective of this study;
- the selection of the ten insurance groups;
- the research design;
- the selected palm oil companies;
- the research activities;
- the scoring model; and
- the research planning.

2.1 Objective

In this case study, it is argued that deforestation and land grabs are significant topics of concern regarding the business operations of palm oil companies. Financial institutions with investments in palm oil companies are, through the provision of capital, at least directly linked to these negative impacts. The objective of this case study is twofold:

1. to assess whether the insurance groups assessed in the Fair Insurance Guide or 'Eerlijke Verzekeringswijzer', have financial connections to the palm oil companies that have been involved with, or implicated in, deforestation and land grab cases in the last four years (2013 – 2016). The ten palm oil companies that are selected, and the criteria on which this selection is based, are described in section 2.5.
2. to assess whether and how the insurance groups have subsequently responded to the risks of deforestation and land grabs. This is done by analysing the procedures and criteria that they have employed.

The policies of the selected insurance groups, assessed during the Fair Insurance Guide policy update in November 2016, are compared to the implementation of the policies in practice. Based on research, this case study aims to provide practical recommendations regarding what investors can do to prevent land grabs and to tackle deforestation.

2.2 Selected insurance groups

For this study ten insurance groups with the largest market share in the Dutch life insurance market for individuals have been selected. Table 2 gives an overview of the ten insurance groups that are included in this Fair Insurance Guide case study, including the brand names that are used in the Netherlands for their insurance services.[97]

Table 2 Insurance groups included in the Fair Insurance Guide

Insurance group	Brand names for insurance groups in the Netherlands
Achmea	Achmea, Agis, Avéro, Centraal Beheer, FBTO, Hagelunie, HEMA, Interpolis, Zilveren Kruis, Syntrus, Inshared, OZF, Prolife, Woonfonds
Aegon	Aegon, Onna Onna, Kroodle, Meeus, IAK Verzekeringen
Allianz	Allianz, Allsecur
APG	Loyalis
ASR Nederland	ASR, De Amersfoortse, Ditzo, Europeesche Verzekeringen, Ardanta
Delta Lloyd	Delta Lloyd, ABN AMRO Verzekeringen, BeFrank, Ohra
Generali	Generali
Legal & General	Legal & General
NN Group	NN, Nationale-Nederlanden
Vivat Verzekeringen[i]	Zwitserleven, Zelf, Route Mobiel, Reaal, Proteq, Dier & Zorg

Source: Brink, H., Riemersma, M., Simons, M. en J. de Wilde (2016), Eerlijke Verzekeringswijzer: Beoordeling van het duurzaamheidsbeleid van tien verzekeringsgroepen – vierde actualisering, Amsterdam, Nederland: Profundo.

In this case study, the analysis is conducted at the level of the insurance group and its investments. In this report, the insurance companies are therefore referenced with the name of the insurance group in question. Vivat Verzekeringen is the only exception. Vivat Verzekeringen was acquired by the Chinese insurance group Anbang in 2015. Given the special position of Vivat Verzekeringen - not only as a new subsidiary of a Chinese insurance group but also as a notably independent actor in terms of sustainability in the Dutch insurance arena - the Fair Insurance Guide has decided to assess the investment policies and practices of Vivat Verzekeringen and not those of Anbang.

[i] In this case study Vivat Verzekeringen has been assessed and not the Chinese parent company Anbang.

2.3 Selection of palm oil companies

The palm oil companies used in this case study are selected based on specific criteria, described below, that indicate that a company has been involved in a case of either land grabs or deforestation or both, or has a high risk of being involved in such cases. The criteria are based on the research expertise of Profundo regarding the palm oil sector and specific risks related to deforestation and land grabs. The evidence to support the involvement of palm oil companies in land grabs and/or deforestation is listed in Table 3, next to the company and the description of the case. The scope of the selection is global and the timeframe is set between 01-01-2013 and 31-12-2016 (4 years).

The following criteria are used to choose palm oil companies that are considered to be high-risk regarding land grabs or deforestation. Financial institutions should expect palm oil companies to address risks in their upstream supply chain and not only in their own operations. The criteria also apply to the subsidiaries, joint-ventures and suppliers of palm oil companies:

1. A company was reported to be involved in a land grab case;
2. A company was reported to be involved in a land conflict with indigenous communities, local communities or land users;
3. A company was reported to have (substantial) expansion plans in frontier regions for commercial palm oil (such as Africa, Papua in Indonesia, and Latin America);
4. A company was reported to have an expansion plan in a country where indigenous/local land tenure rights are weak, based on the Land Book;[98]
5. A company was reported to conduct illegal expansion (without proper permits);
6. A company was reported to conduct deforestation and/or development on peat land;
7. A company was reported to receive supplies from illegal plantations;
8. A company was reported to have plantation areas where species conflict occurred;
9. A company was reported to receive supplies from a third-party company that is involved in a land grab case;
10. A company was reported to have its investor divest or its clients stop their purchase due to company involvement in land grabs or deforestation;
11. A company was reported of targeting markets where the general expectations regarding sustainability issues are considered low (such as majority of productions that are marketed to China and India);
12. A company (or its subsidiary or supplier) was reported to have their certification suspended; and
13. A company was reported to be involved in the deforestation of primary forests.

Companies do not need to be implicated in more than one criteria to be considered controversial. Being implicated or involved in one activity is sufficient.

The ten selected palm oil companies are described in Table 3. It should be noted that some of the companies in table 2 have made steps in the last years to address the risks in their operations and supply chain, even responding to the cases described.[99] However, as the examples from the last four years make clear, much work still must be done, including by companies that have made progress. This is especially the case concerning the supply chains of palm oil companies, as suppliers often do not follow the same standards and practices as the companies they supply. The companies are active in more countries than what is listed in Table 3, however only the countries related to the described cases are listed.

Table 3 Selection of palm oil companies

Company name	Impact countries	Reason for selection	Source
Wilmar	• Indonesia • Uganda • Liberia • Nigeria	• Since 2011, on the Indonesian island of Sumatra, one of Wilmar's suppliers, PT Sandabi Indah Lestari, has violently prevented local community access to lands that are set aside by the local governments for community use, Oxfam states; • In 2014, Friends of the Earth claimed Wilmar's subsidiary PT Sawindo Cemerlang and supplier Bumitama Agri Ltd. were involved in deforestation in Indonesia. PT Sawindo Cemerlang was involved in preventing local communities from engaging in forest restoration; • In Liberia Wilmar's subsidiary Nauvu Joint Venture Company is involved in violating FPIC standards. A Friends of the Earth report states the company "failed to recognise communities' customary ownership of the land" in Maryland and Grand Kru Counties; • Between 2011 and 2014, Wilmar was grabbing land containing HCS forests in Nigeria. The company did not properly engage with the 20 host communities who face losing their smallholder farms on ancestral lands, Friends of the Earth states; and • Friends of the Earth states that Wilmar was involved in land grabs in Uganda in 2013; • In 2014 Alman, S.H Gampo Alam, indigenous leader of Nagari Kapa, filed a complaint against Wilmar International subsidiary PT Permata Hijau Pasaman 1 demanding clarity of the extent of PT. PHP 1's nucleus estate and rejection on PT. PHP 1's application to the National Land Agency for an HGU certificate over the customary land of Nagari Kapa. The case is still not resolved. A consultant will carry out an independent assessment.	100
Golden Agri-Resources	Liberia	• Golden Agri-Resources subsidiary Golden Veroleum is accused of violating land rights in Liberia between 2011 and 2015. Global Witness reports that the acquisition of land is accompanied by beatings, threats and arrests; • In 2014 the Forest People Programme and TUK filed a complaint to RSPO alleging that Golden Agri-Resources Ltd's subsidiary PT Kartika Prima Cipta is alleged to have the breached the RSPO Principles and Criteria on: FPIC, failure to do a proper HCV assessment prior to development and non-compliance with national laws of Indonesia. The case is not closed. GAR is sending reports on its progress.	101

Company name	Impact countries	Reason for selection	Source
Astra Agro Lestari	Indonesia	• In 2015 civil society organisations reported Jardine Matheson Group's subsidiary Astra Agro Lestari "has cleared 14,000 hectares of forests and 29,000 hectares of peatlands, including endangered species habitat, and has serious community conflicts" in Indonesia; • AidEnvironment reports that between July and October 2015, there were 677 fire hotspots recorded inside Astra's concessions; • According to AidEnvironment, in 2016, Astra bought substantial amounts of CPO (Crude Palm Oil) from the palm oil company PT Austindo Nusantara Jaya (PT ANJ). Between 2014 and mid-2015 PT ANJ cleared approximately 8,000 hectares of highly forested landscapes in West Papua province, without identifying and conserving HCS forest areas.	102
Indofood	Indonesia	• In 2013 and 2014 Indofood's subsidiary Indofood Agri-Resources was involved in the clearance of 1,000 hectares of primary forest in Indonesia. This also affected local communities because of "deteriorating water quality and increasing incidence of floods and drought". Furthermore, AidEnvironment reported six Indonesian cases of land disputes in the past four years. AidEnvironment also found evidence for frequent fire in Indofood's concessions.	103
First Resources	Indonesia	• In October 2012, Environmental Investigation Agency (EIA), the Indigenous Peoples Alliance of the Archipelago (AMAN) and the community of Muara Tae in East Kalimantan filed a complaint to the RSPO regarding deforestation of pristine forests, community conflicts and land grabs by First Resources subsidiary PT Borneo Surya Mining Jaya. The case was closed in 2015 as unresolved; • In June 2015, human rights and environmental organisation Lingkaran Advokasidan Riset (LinkAR) Borneo filed a complaint to the RSPO regarding PT. Swadaya Mukti Prakarsa (PT. SMP), a subsidiary of First Resources Group. The allegations state that PT. SMP cleared community land without the proper permits, used fire to clear land, did not acquire FPIC from local communities and engaged in clashes with indigenous communities.	104
Kuala Lumpur Kepong (KLK)	• Liberia • Papua New Guinea • Indonesia	• Greenpeace research of KLK concessions in East and Central Kalimantan indicate that KLK was involved in deforestation in 2013, including deforestation of orang-utan habitat; • Through third-party suppliers, KLK is linked to expansion into Papua, Papua New Guinea and Africa; and	105

Company name	Impact countries	Reason for selection	Source
Equatorial Palm Oil (EPO)	• Liberia	• KLK has been implicated in land grabs in Papua New Guinea; • KLK was found guilty of causing fires by a Sumatran court in 2014; • Research by Chain Reaction Research states that KLK has developed an estimated 17,500 ha of carbon-rich peatlands in Sumatra and Kalimantan. • EPO has been implicated in land grabs in Liberia in 2013 and 2014 for failing to ensure FPIC from local communities and land users; • Global Witness reports that EPO cleared forests on customary land starting in 2012 and continuing into 2013; • EPO security employees have been accused of violent clashes with local communities and intimidating villagers in communities opposing plantation expansion.	106
Sampoerna Agro	Indonesia	• In 2016, the Indonesian government fined Sampoerna Agro USD 81 million for forest fires that burned on its concessions in 2014; and • In 2015, Sampoerna was reported to be involved in land conflicts in South-Sumatra.	107
IOI Group	Malaysia	• In 2015, IOI was suspended from the RSPO for i.a. operating without required permits, using fire to clear land, clearing HCV areas, rainforest and deep peat areas; • Despite sustainability commitments, research by Greenpeace states that IOI continues to buy palm oil from third-party suppliers linked to serious environmental destruction and human rights abuses, such as: development on peatland, deforestation on HCS areas, extensive uncontrolled fires and developing land without acquiring FPIC.	108
Noble Group	Papua, Indonesia	• Chain Reaction Research estimates that in the period 2013-2015 Noble Group cleared 11,500 ha forest and peat in Papua; • In 2016, Noble has continued to prepare plantations on potential peat land in Papua; • Noble Group has also been accused of disturbing local and indigenous communities in Papua and thus development permits were temporarily suspended in 2015;	109

Company name	Impact countries	Reason for selection	Source
		• The Environmental Investigation Agency (EIA) filed a complaint against PT Henrison Inti Persada, a subsidiary of Noble Plantation Pte Ltd, in 2013 for allegedly clearing and planting on land without submitting New Planting Procedure notifications to the RSPO for public consultation. The company is also alleged to have used intimidation and failed to secure Free Prior Informed Consent (FPIC) of the communities prior to developing the land.	

2.4 Research design

An analysis is carried out to establish whether the selected insurance groups have financial relationships with any of the ten selected palm oil companies. The methodology of this analysis is described in section 2.6. The establishment of financial links determines that the insurance groups are actively investing in the palm oil sector, which is considered a high-risk investment in terms of deforestation and land grabbing risks.

The research is carried out in the following steps:

1. Ten palm oil companies that have been involved in or are repeatedly accused of land grabs and/or deforestation in the past four years (2013-2016) are selected. The palm oil companies and the criteria used to select them are described in section 2.3.
2. Financial research will be carried out to determine whether there are financial links between the selected insurance groups and the selected palm oil companies. This is further described in section 2.6.
3. The insurance groups will be sent a questionnaire that focusses on whether and if so, how, the insurance group has responded to the deforestation and land grabbing cases the selected palm oil companies have been involved with. The questions that are used to assess the implementation of the policies of financial institutions, are described in section 2.8. The questionnaire will be accompanied by information on their investments in the selected palm oil companies, if any have been found. If no investments in the selected palm oil companies are found, the reason for this is also assessed through the questionnaire. Financial institutions can also provide answers and examples of screening or engagement for other palm oil companies that are not part of the selection.
4. Based on analysis of the questionnaire, the insurance groups are granted a score for the information provided in the questionnaire. Points are granted for a combination of answers and evidence. The score is based on a scoring matrix that is described in section 2.8. Insurance groups that do not invest in the selected companies, but that can demonstrate that this is a result of having a good responsible investment policy, will be granted a score based on their solid responsible investment policy implementation.

Insurance groups are assessed on both insurance investments and asset management. The result is one score for each financial institution on a scale of 1 to 10.

A financial institution that did not cooperate with the case study receives a score of 1. If a financial institution does not invest in any of the selected companies and does not provide evidence that this is the result of the responsible investment policy, the total score of the financial institution will be set to 'not applicable'.

These results will be included in the report in an overview section where a description of the financial institution, including its activities and the evidence submitted for substantiation, is given. However, no detailed or confidential information on specific exclusions or engagement processes are included in the profile, unless insurance groups give permission to do so.

2.5 Data collection

For the data collection, mainly desk-based research is used, which focusses on:

- Annual reports, websites, policy documents, engagement reports and other publicly available publications of the selected insurance groups;
- Any documents provided by insurance groups (confidential, published or unpublished but not confidential);
- Reports and websites of NGOs;
- Information published by the organisations behind international standards and multi-stakeholder initiatives in the palm oil sector; and
- Financial databases;
- A written questionnaire sent to the selected insurance groups to fill in, with questions about the implementation of their responsible investment policies;
- E-mail correspondence from insurance groups.

Detailed transcripts of engagement are not required. Financial institutions can gain points for various types of documents, including (internal) documents summarising an approach, goal or even a screengrab of indicators that are used to screen for particular problems, for example. Only the names of companies is not enough information. For many of the questions it is necessary to be able to show that engagement concerns certain issues and topics and that it includes particular goals. A combination of answers and evidence is required to receive full points. For example, this would be sufficient:

- Insurance group A engages with [name of company];
- Engagement topic: peat burning;
- Goal: company takes measures to prevent burning; and
- Process: started in 2015, evaluation in 2016 and issue has to be sufficiently addressed in 2017.

Insurance groups are invited to make a short statement about the findings of this case study related to their own investments, policies and implementation, in their own overview. Profundo retains the right to shorten or omit responses that do not address the findings of this case study or are otherwise deemed not relevant.

Sources that are cited without a reference consist of e-mail correspondence, telephone correspondence or other written correspondence with insurance groups, which is deemed confidential.

2.6 Establishing financial relationships

For each insurance group, an overview of investments in shares or bonds of the selected palm oil producers at the most recent available filing date will be provided. The resulting tables will include information on the name of the asset manager, the percentage of outstanding shares, the value of the holding and the relevant filing date.

In addition, an overview of shareholdings for the period of 01-01-2013 and 31-12-2016 will also be provided. These shares may in some cases no longer be relevant, however it is necessary to establish whether a financial relationship existed between the selected palm oil companies and the financial institution in the last four years (2013 - 2016). As information on bond holdings for this period is not available, this is not added.

2.7 Relevant elements for the assessment

The investment policies of the insurance groups active in the Netherlands were analysed during the last policy update of the Fair Insurance Guide, in November 2016.

The policy assessment included elements that are relevant for the issues of deforestation and land grabs. In Table 4 a selection is presented of the elements from the Fair Finance Guide International methodology for policy assessment that are considered important for a good policy on both deforestation and preventing land grabs. Furthermore, in Table 4 the issues that are described in Chapter 1, which are relevant when examining the practices of palm oil companies in relation to deforestation and land grabs, are related to specific assessment elements. Some assessment elements are relevant for several issues; others are mostly related to one issue.

Table 4 Assessment criteria deforestation and land grabbing

	Assessment element	Relevant for issue
1	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.	• Land tenure legality; • Forced evictions; • FPIC for indigenous people and all land users; and • Gender issues.
2	Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.	• Land tenure legality; • Rights of indigenous people; • The fair and equal use of forests; and • Forced evictions.
3	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.	• Land tenure legality; • Rights of indigenous people; • The fair and equal use of forests; and • Forced evictions.
4	Companies have a policy commitment to differentiate the human rights risks faced by women and men.	• Gender issues related to land rights; and • Land tenure legality.

	Assessment element	Relevant for issue
5	Companies respect the rights of local and indigenous communities on the fair and equal use of forests.	• Rights of indigenous people; and • The fair and equal use of forests.
6	Companies prevent deforestation and protect natural forests including old growth forests, bogs, mangroves and rainforests, as described in the High Conservation Value (HCV) concept.	• Community inclusion; • Land and forest conversion; • Clearing peat land; • Fire prevention; • Use of fire to clear forests; • Threats to biodiversity; and • Damage to protected areas.
7	Companies identify and protect High Carbon Stock (HCS) forests.	• Community inclusion; • Land and forest conversion; • Clearing peat land; • Use of fire to clear forests; • Fire prevention; and • Damage to protected areas.
8	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.	• Community inclusion; • Land and forest conversion; • Clearing peat land; • Use of fire to clear forests; • Fire prevention; • Threats to biodiversity; and • Damage to protected areas.
9	Companies prevent negative impact on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN).	• Land and forest conversion; • Clearing peat land; • Use of fire to clear forests; • Fire prevention; • Threats to biodiversity; and • Damage to protected areas.
10	Companies prevent negative consequences for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.	• Land and forest conversion; • Clearing peat land; • Use of fire to clear forests; • Fire prevention; • Threats to biodiversity; and • Damage to protected areas.
11	Production of oil palm fruit is certified according to the principles and criteria of the RSPO Certification.	• Land tenure legality; • Rights of indigenous people; • Land and forest conversion; • Fire prevention; • Use of fire to clear forests;

	Assessment element	Relevant for issue
		• Threats to biodiversity; and • Damage to protected areas.
12	Production and trade of palm oil is certified according the RSPO Supply Chain Certification Standard.	• Transparency; and • Traceability.
13	Production of oil palm fruit is certified according the principles and criteria of RSPO NEXT.	• Transparency; and • Traceability.
14	Companies publish a sustainability report that may contain (a number of) Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.	• Transparency.
15	Large enterprises and multinational enterprises in the food industry publish a sustainability report that is set up in accordance with the GRI G4 Sustainability Reporting Guidelines, which includes the Food Processing Sector Disclosure (FSSD).	• Transparency.
16	Companies integrate social, economic and environmental criteria in their procurement and operational policies.	• Transparency; and • Third-party smallholder inclusion.
17	Companies include clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors and suppliers.	• Transparency; and • Third-party smallholder inclusion.

The selected elements in Table 4 can be used to address many issues related to land grabs and deforestation. As is described in the Fair Finance Guide International methodology for policy assessment, financial institutions are expected to operationalise their policies in order to apply them in a relevant fashion to the activities of palm oil companies. This means that certain, perhaps general principles, should be implemented on specific cases in an adequate manner. For example, when a financial institution has a policy expecting companies to identify and protect High Conservation Value forests, this could (concerning palm oil companies) in practice translate into paying attention to the methods used to clear peat land and the consequences thereof. The issues are related to assessment elements to clarify which issues correspond to which assessment elements. The questions in the questionnaire, described in section 2.8, are related to these issues and assess whether and to what degree financial institutions address these issues.

2.8 Questionnaire and scoring

To assess how the insurance groups have responded to the risks of deforestation and land grabs through their investments, the financial institutions will be asked to provide answers to the questions in this section, as well as evidence to support these answers. This is done by filling in a questionnaire on each sub-section regarding their practices in relation to palm oil companies. A combination of answers and evidence is required to score points.

In Table 5 to Table 9 the questions for the questionnaire and the scoring system are presented. Further details about the questionnaire are provided below the tables. The questionnaire will be sent in an Excel document to the insurance groups. The sub-sections are:

- Screening;
- Voting;
- Engagement;
- Exclusion; and
- Commitments.

The question concerning commitments to improve is a bonus question, for one extra point.

2.8.1 Screening

In Table 5 the questions and scoring system concerning screening are described.

Table 5 Screening questions

Screening and selection		
	Question	Answer options
1.	The financial institution screens palm oil companies for issues related to land grabs and deforestation prior to investment and after investment is made.	• never: (0 points) • incidentally: (1 point) • structurally: for every new investment and once a year for existing investments (2 points)
2.	When screening palm oil companies, the financial institution pays attention to the following criteria:	
	a) Whether the palm oil company has drafted a policy statement in which the company commits itself to the prevention of deforestation and land grabs, in line with the issues described in Table 4.	• no: (0 points) • for one issue: (1 point) • for three or more issues: (2 points)
	b) Whether the palm oil company applies any preventive measures, related to the issues described in Table 4, such as peat clearing, threats to biodiversity or the use of fire to clear forests.	• no: (0 points) • for one issue: (1 point) • for three or more issues: (2 points)
3.	When the screening of a palm oil company makes clear that a company does not have adequate policies, does not apply preventive measures related to the issues described in Table 4 or manages to demonstrably avoid deforestation and/or land grab, the financial institution chooses not to invest.	• no: (0 points) • yes: (1 point)
4.	The financial institution confirms that the implementation of its policies is done in the same manner for all financing, including asset management for third parties and passively managed funds.	• yes (1 point) • 'no' (0 points)

Screening and selection		
5.	The scope of the screening explicitly includes the upstream supply chain of palm oil companies.	• yes (1 point) • no (0 points)

For this question, actual examples and evidence of screening criteria, reports, or other records provided by the insurance groups are assessed.

Score for screening: the sum of points for question 1 – 5. Maximum 9 points.

2.8.2 Voting

In Table 6 the questions and scoring system concerning voting are described.

Table 6 Voting questions

Voting		
	Question	Answer options
6.	The financial institution has filed or co-filed a motion/resolution aimed at improving policies and practices regarding issues related to deforestation and land grabs (as described in Table 4) at the annual meetings of investee companies where motions/resolutions aimed at preventing land grabs and deforestation are put to the vote.	• no (0 points) • yes (1 point)
7.	The financial institution supported the filing of motions/resolutions aimed at improving policies and practices regarding issues related to deforestation and land grabs (as described in Table 4) at the annual meetings of investee companies, where motions/resolutions aimed at preventing land grabs and deforestation are put to the vote.	• voted more than twice (5 points) • voted twice (2 points) • voted once (1 point) • no (0 points)

For this question, actual examples and evidence of voting records provided by the insurance groups are assessed.

Score for voting: the sum of points for question 6 and 7. Maximum: 6 points.

2.8.3 Engagement

In Table 7 the questions and scoring system concerning engagement are described.

Table 7 Engagement questions

Engagement		
	Question	Answer options
8.	When there are serious indications that investee companies are involved in deforestation and or land grabs, does the financial institution start a dialogue on how the company can take steps to prevent or avoid land grabs and deforestation?	• never: (0 points) • incidentally: (1 point) • structurally: for every new investment and once a year for existing investments (2 points)
	For this question, actual examples and evidence of engagement provided by the insurance groups is assessed.	
9.	When a financial institution conducts engagement with palm oil companies, the financial institution is asked to answer the following questions:	
	a) What the concrete objectives of engagement are;	• 2 or more examples of engagement are provided (2 points) • 1 example of engagement is provided (1 point) • no (0 points)
	b) When the engagement process is considered successful or unsuccessful;	• 2 or more examples of engagement are provided (2 points) • 1 example of engagement is provided (1 point) • no (0 points)
	c) When the engagement process is evaluated; and	• 2 or more examples of engagement are provided (2 points) • 1 example of engagement is provided (1 point) • no (0 points)
	d) When the engagement process is concluded.	• 2 or more examples of engagement are provided (2 points) • 1 example of engagement is provided (1 point) • no (0 points)
	For this question, actual examples and evidence of engagement provided by the insurance groups is assessed.	
10.	When a financial institution conducts engagement with a palm oil company, the financial institution makes demonstrable efforts to influence the company to:	

Engagement		
	a) Draft a policy statement in which the company commits itself to the prevention of deforestation and land grabs, in line with the issues described in Table 4.	• 2 or more examples of engagement are provided (2 points) • 1 example of engagement is provided (1 point) • no (0 points)
	b) Apply preventive measures, related to the issues described in Table 4, such as land grabs, peat clearing, threats to biodiversity or the use of fire to clear forests.	• 2 or more examples of engagement are provided (2 points) • 1 example of engagement is provided (1 point) • no (0 points)

For this question, actual examples and evidence of engagement provided by the insurance groups is assessed.

Score for engagement: sum of points for 8 to 10 b). Maximum of 14 points.

2.8.4 Exclusion

In Table 8 the questions and scoring system concerning exclusion are described.

Table 8 Exclusion questions

Exclusion		
If a financial institution has excluded a selected company from investment, the following additional information is required		
	Question	Answer options
11.	a) Why a company has been excluded from investment (this can concern exclusion after screening or after unsuccessful engagement);	• 2 or more examples of exclusion are provided (2 points) • 1 example of exclusion is provided (1 point) • no (0 points)
	b) When a company is excluded from investment;	• 2 or more examples of exclusion are provided (2 points) • 1 example of exclusion is provided (1 point) • no (0 points)

Exclusion	
c) Objective and course of any prior engagement process; and	• 2 or more examples of exclusion are provided (2 points) • 1 example of exclusion is provided (1 point) • no (0 points) • If a financial institution has not conducted engagement prior to exclusion but excluded directly after screening (n.a.)
d) Whether and how often the decision to exclude has been evaluated.	• Exclusion is reviewed more than once a year (2 points) • Exclusion is reviewed once a year (1 points) • Exclusion is reviewed less than once a year (0 points)
For this question, actual examples and evidence of screening reports, screening methodologies and exclusion lists involving these criteria provided by the insurance groups is assessed.	
Score for exclusion: the sum of points for question 11 a) to 11 d). Maximum: 8 points. If an 'n.a.' is granted for 11 c), a total of 6 points is granted.	

A maximum of 37 points is possible for questions 1 to 11 d).

The score for each section is determined by adding up the elements that have been complied with and dividing this by the total applicable number.

The combined score for screening, voting, engagement and exclusion is the sum of points for screening, voting, engagement and exclusion divided by 3,7. This number was chosen in order to grant a score with a maximum of 10. If the sum of points is 0, a score of 1 will be given.

In case of an n.a. score for question 11 c, the total possible score for the exclusion section will be 6 points. The formula for the total score will be adjusted based on this maximum.

2.8.5 Bonus question

A bonus point can be granted for question 12, on top of the score for questions 1 to 11 d). If a financial institution has already scored a 10 for questions 1 to 11 d) and is also granted a point for the bonus question, the score will remain a 10. It is not possible to score higher than a 10. The bonus question is described in Table 9.

Table 9 Bonus point

Commitment to improve and third-party implementation		
	Question	Answer options
12.	By way of an official written declaration, the financial institution commits itself to use more instruments within 1 year to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously. This declaration makes clear reference to (some of) the issues described in Table 4. It is also possible to gain a bonus point for commitments concerning the substantial improvement of instruments, related to the issues in Table 4.	• 'yes' (1 point) • 'no' (0 points)
Score for commitment to improve: sum of points for 12. Maximum 1 point.		

2.9 Exceptions

The following situations can lead to a different application of the methodology:

- For the financial institutions where no business relationship was found with some or all companies chosen for this study, the extent to which the lack of a business relationship is a direct consequence of the Responsible Investment Policy of the respective organisation has been verified. To this end, the financial institution will be asked to answer the questions in the sections *Screening* and *Exclusion* of the questionnaire for these companies and to provide or show the exclusion criteria and exclusion list. For these insurance groups the questions in the sections *Voting* and *Engagement* are considered as not relevant and their score will only be based on the sections *Screening* and *Exclusion*.
- For financial institutions that do invest in palm oil companies that are not part of the selection of this case study, information concerning all questions can still be assessed. The case study uses a selection of only ten palm oil companies due to practical limitations, but this list is not exhaustive. If a financial institution invests in only one of the selected palm oil companies, it is not reasonable to ask for multiple examples of engagement regarding that company. Points can in this case be granted for information regarding interaction with other palm oil companies, which are not part of the selection of this case study.
- If a financial institution uses positive selection instead of negative selection (exclusion), this can be considered as an equally successful implementation approach. In such a case, not selecting a company based on low ESG score – resulting from land grabs and/or deforestation activities – can be an equivalent for exclusion.
- If a financial institution does not invest in any of the selected companies and does not provide evidence that this is the result of the responsible investment policy, the total score of the financial institution will be set to 'not applicable'.

- If a financial institution uses the tools described in section 1.6 in their screening or interaction with palm oil companies, but the focus of these activities concerns other issues than those of land grabs and deforestation, this cannot be used to receive a score in this case study. It can, for example, be relevant to screen palm oil companies for labour rights violations. However, this issue is not analysed in this case study and use of strategies like engagement on labour violations will not be deemed relevant for this case study.
- A financial institution that did not cooperate with the case study and/or is not transparent receives a score of 1.

2.10 Definitions

The following definitions are used in this case study:

- Deforestation:

  The FAO defines deforestation as the conversion of forest to another land use or the long-term reduction of the tree canopy cover below the minimum 10 percent threshold.[110]

- Land grab(bing):

  Olivier De Schutter, the former United Nations (UN) Special Rapporteur on the Right to Food, defines land grabs as: "[A] global enclosure movement in which large areas of arable land change hands through deals often negotiated between host governments and foreign investors with little or no participation from the local communities who depend on access to those lands for their livelihoods."[111]

- Local communities:

  The term 'local communities' refers to collectives or groups of people living near or in a certain area. According to the Convention on Biological Diversity, local communities are defined by their relationship with and dependence on natural resources, including land and water resources.[112]

- Indigenous peoples, communities:

  Indigenous people constitute a very diverse group, therefore an official definition of "indigenous" has not been adopted by any UN-system body. Instead the system has developed a modern understanding of this term based on the following:[113]

  - "Self-identification as indigenous peoples at the individual level and accepted by the community as their member;
  - Historical continuity with pre-colonial and/or pre-settler societies;
  - Strong link to territories and surrounding natural resources;
  - Distinct social, economic or political systems;
  - Distinct language, culture and beliefs;
  - Form non-dominant groups of society; and
  - Resolve to maintain and reproduce their ancestral environments and systems as distinctive peoples and communities."

- Land users:

  The term 'land users' can refer to both local communities as indigenous communities, but also to individuals who live or work near or on a certain area of land, or who depend on or use a certain area of land in some way for their livelihoods.[114] The OECD defines 'land use' as "[...] based on the functional dimension of land for different human purposes or economic activities. Typical categories for land use are dwellings, industrial use, transport, recreational use or nature protection areas."[115]

- Free Prior Informed Consent (FPIC):

  FPIC is the principle that states that all land users involved in a land deal have the right to give or withhold its consent to proposed projects that may affect the lands they customarily own, occupy or otherwise use. Companies prevent conflicts over land rights and acquire natural resources only by engaging in meaningful consultation with local communities and obtaining Free, Prior and Informed Consent (FPIC) when it concerns local communities (indigenous communities and other/all land users involved).[116]

2.11 Limitations of the methodology

The scope of this case study is limited to a focus on deforestation and land grabs in the palm oil sector. Therefore, this case study will not focus on the following issues, which may also play a role in the palm oil sector:

- Standards or initiatives regarding specifically soy, timber or other commodities that are relevant for deforestation or land grabbing;
- Downstream impacts of palm oil companies; and
- Issues such as labour rights, corruption or tax, which are also relevant when looking at palm oil companies but fall outside the scope of this study. Relevant issues are mentioned in 1.3.

2.12 Planning

The planning that will be followed during this study is described in Table 10.

Table 10 Planning of research activities

Activity	Deadline
Submission of draft methodology to insurance groups for comments	17 November 2016
Deadline insurance groups for feedback on draft methodology	1 December 2016
Submission of final methodology to insurance groups	mid-December
Submission of the questionnaire and overview to insurance groups	10 January 2017
Deadline for insurance groups to reply to the questionnaire and overview	7 February 2017
Submission of draft scores and profiles to insurance groups	23 February 2017
Deadline for insurance groups to give feedback on draft scores	9 March 2017
Submission of draft report to insurance groups for feedback on factual errors in summary and conclusions of the draft report	6 April 2017
Deadline insurance groups for feedback (factual errors in summary and conclusions only) on draft report	20 April 2017
Submission of final report to insurance groups	3 May 2017
Publication	Q2 2017

Chapter 3 Research results per insurance group

In this chapter, the results of the research are presented per insurance group. For each insurance group, an overview is provided that includes the policies of the insurance group, the scores it has received during this case study, as well as an analysis of the answers and information provided to illustrate its approach to screening, voting, engagement and exclusion, regarding the issues of deforestation and land grabs, in relation to companies in the palm oil sector.

3.1 Achmea

Achmea is a leading insurance group originating from the Netherlands, providing their 11 million customers with health, life and non-life insurance and pension and asset management.[117] Achmea's subsidiary Achmea Bank also provides mortgage loans and savings to private customers only in the Netherlands.[118] From its leading position in the Dutch market, the insurance group positions itself internationally as an innovative player in five other countries, including Turkey, Greece, Slovakia, Ireland and with partner Rabobank in Australia.[119] It operates in the Netherlands under the brands Zilveren Kruis, Centraal Beheer, Interpolis, FBTO, Avéro, Inshared, Syntrus, De Friesland, HEMA, Prolife, OZF, Woonfonds, Staalbankiers, en Hagelunie.[120] Achmea employs 16,924 employees (15,412 on a full time equivalent basis) in total, of which approximately 14,000 in the Netherlands.[121]

Due to Achmea's background as a cooperative, the majority of Achmea's shares (62%) are held by the Vereniging (Association) Achmea. In addition, 28% is owned by Rabobank, and the remainder by other European insurance groups.[122] Achmea is not listed on a stock exchange.[123] Gross written premiums for the year 2015 were € 19.9 billion, of which € 18.8 billion were earned in the Netherlands.[124] Turnover stood at € 23.2 billion, of which € 22 billion originated from the Netherlands.[125] Banking customer accounts for the Dutch banking arm of Achmea stood at € 6.0 billion at the end of December 2015.[126]

3.1.1 Relevant investment policies

In the Fair Finance Guide methodology, the assessment elements in Table 11 are deemed relevant for this case study. The scores from the 2016 Fair Insurance Guide policy update are not used, as the purpose of this section is only to illustrate whether Achmea has a sufficient policy for the relevant assessment elements, not to grant a policy score as such. For this reason only a 'yes' or a 'no' has been used.

Table 11 Policy assessment elements in Achmea policies

	Assessment element	Achmea policy for investments own account (yes/no)	Achmea policy for asset management (yes/no)
1	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.	Yes	Yes
2	Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.	Yes	Yes

	Assessment element	Achmea policy for investments own account (yes/no)	Achmea policy for asset management (yes/no)
3	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.	Yes	Yes
4	Companies have a policy commitment to differentiate the human rights risks faced by women and men.	No	No
5	Companies respect the rights of local and indigenous communities on the fair and equal use of forests.	No	No
6	Companies prevent deforestation and protect natural forests including old growth forests, bogs, mangroves and rainforests, as described in the High Conservation Value (HCV) concept.	Yes	Yes
7	Companies identify and protect High Carbon Stock (HCS) forests.	Yes	Yes
8	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.	Yes	Yes
9	Companies prevent negative impact on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN).	Yes	Yes
10	Companies prevent negative consequences for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.	Yes	Yes
11	Production of oil palm fruit is certified according to the principles and criteria of the RSPO Certification.	No	No
12	Production and trade of palm oil is certified according the RSPO Supply Chain Certification Standard.	No	No
13	Production of oil palm fruit is certified according the principles and criteria of RSPO NEXT.	No	No
14	Companies publish a sustainability report that may contain (a number of) Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.	Yes	Yes
15	Large enterprises and multinational enterprises in the food industry publish a sustainability report that is set up in accordance with the GRI G4 Sustainability Reporting Guidelines, which includes the Food Processing Sector Disclosure (FSSD).	Yes	Yes
16	Companies integrate social, economic and environmental criteria in their procurement and operational policies.	Yes	Yes
17	Companies include clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors and suppliers.	No	No

3.1.2 Palm oil company investments

This research identified investments by Achmea in shares of two of the selected palm oil companies in the period 2013-2016, as shown in Table 12.

Table 12 Achmea shareholdings in selected palm oil companies (2013-2016)

Group	2016		2015		2014		2013	
	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)
Golden Agri Resources	-	-	-	-	-	-	-	-
Noble Group	-	-	0.00%	0.01	0.00%	0.01	0.00%	0.01
Total				**0.01**		**0.01**		**0.01**

Source: Thomson EIKON (2017, January), "Shareholdings: Golden Agri-Resources, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Noble Group Ltd, 2012-2016", viewed in January 2017.

This research did not identify any investments by Achmea in the bonds issued by the selected companies.

3.1.3 Scores for implementation

In Table 13 the scores for Achmea are presented, based on the answers provided by Achmea to a questionnaire on five topics regarding the implementation of its responsible investment policies.

Table 13 Scores for implementation

Assessment questions	Points
Screening *Screening refers to the practice of checking whether an investee company complies with the policies on deforestation and land grabs of a financial institution, prior to and during investment.*	5 of 9
Voting *Financial institutions can file resolutions or motions, or vote on resolutions or motions, to support improvement on ESG performance on deforestation and land grabs.*	0 of 6
Engagement *Financial institutions can start a dialogue with companies concerning their practices and policies on deforestation and land grabs, to achieve improvement*	14 of 14
Exclusion *If investee companies do not meet the criteria set by financial institutions, or do not improve their practices, the choice to exclude such companies from investment can be made*	4 of 8
Commitments *Financial institutions can formulate official commitments to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously*	0 of 1
Total score	**6 of 10**

3.1.4 Analysis

Based on the answers provided by Achmea in the questionnaire and the subsequent scores, the following analysis can be made of the five different parts of the assessment.

- **Screening**

  Achmea states that its full investment universe is screened at minimum twice a year to verify whether companies violate UN Global Compact principles. Examples provided illustrate that Achmea has commissioned research regarding human rights violations of a palm oil company, at various points in time. Furthermore, the sources provided show that Achmea structurally asks companies to report on several issues relating to land grabbing and deforestation. The screening includes policy commitments by palm oil companies regarding land grabs and deforestation, such as obtaining Free Prior and Informed Consent (FPIC) and whether policies extend to suppliers and third-party suppliers.

  Screening does not include whether companies take measures to prevent land grabs and deforestation. If it becomes clear after initial screening that companies do not have adequate policies or do not take adequate measures to avoid deforestation and land grabs, Achmea does not exclude these companies from investment. Screening does not include the upstream supply chain of palm oil companies. Achmea does not apply its policies to all financing, such as externally managed funds.

- **Voting**

  Achmea did not file a motion or resolution aimed at improving policies and practices regarding issues related to deforestation and land grabs at the annual meetings of investee palm oil companies. Achmea states that no resolutions were filed in the research period and that Achmea therefore did not vote on a resolution or motion at an annual meeting.

- **Engagement**

  Achmea provided substantial insight into its engagement practices with investee companies and received full points for this section. When there are indications that a company has been involved in land grabs or deforestation, Achmea starts a dialogue with the company in question. This is done for every new investment and once a year for existing investments. Achmea considers deforestation, fire, haze and human rights the main risks in the palm oil industry. In terms of concrete objectives of engagement, Achmea has focussed on improvement regarding the rights of indigenous peoples, controlling deforestation, peat conversion and smallholder capacity building, amongst other topics. Achmea has made demonstrable efforts to influence investee companies to adopt policies and preventive measures regarding deforestation and land grabs. This includes encouraging palm oil companies not to buy from suppliers that are involved in severe controversies.

  Achmea sets engagement objectives and considers engagement successful when 3 out of 5 goals are achieved. Engagement is evaluated mid-way and concluded at a set date, or when objectives have been achieved. Achmea receives 14 of 14 points for engagement.

- **Exclusion**

  When a company is shown to breach the UN Global Compact Principles severely, the company is excluded until it has improved. This decision is reviewed twice a year. Achmea states: "A Palm Oil company will be excluded from the investment universe if it violates principles either relating to land grabbing (human right violation) or failing to obtain free, prior, informed consent from indigenous people (human right violation). This can occur during the regular screening process. If the company has a [...] (verified violation) the company will be excluded after the engagement doesn't show any progress. Currently none of these issues have been verified [...] for the identified Palm Oil companies, therefore no companies are currently excluded from the investment universe." While Achmea did clearly illustrate how the exclusion process works Achmea has not excluded any palm oil company from its investment universe. Achmea receives 4 of 8 points for the exclusion process, but does not score any points for actual exclusions.

- **Commitments**

  Achmea has not included a written declaration in which Achmea commits itself to use more instruments within one year to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously.

- **Conclusion**

  This research identified relatively small investments in the selected palm oil companies. Achmea has been forthcoming in providing insight into its screening, voting, engagement and exclusion approach in relation to companies in the palm oil sector.

  Achmea screens its investment universe semi-annually and conducts structural engagement with palm oil companies that do not meet its human rights or environmental standards. Engagement takes into account many of the relevant issues related to land grabs and deforestation, including Free Prior Informed Consent (FPIC), peat conversion, fire risk, the supply chain of palm oil companies, local communities and smallholders.

  Achmea has not excluded any palm oil companies and does not exclude companies after screening, only after engagement has been unsuccessful. Achmea did not file a motion or resolution, or vote on any motions or resolutions, regarding deforestation and land grabs. Achmea did not formulate a commitment to avoid the financing of companies that do not take their responsibility to prevent land grabs and deforestation seriously.

  Achmea has policies for many of the relevant assessment elements concerning deforestation and land grabs as described in section 3.1.1. This is reflected in the insurance groups approach, especially in terms of engagement.

  A total score of 6 points is awarded for screening, voting, engagement, exclusion and commitments. The final score for Achmea is 6.

3.2 Aegon

Aegon is a leading insurance and banking group with origins in the Netherlands.[127] Aegon has life insurance and pensions operations in over 25 countries in the Americas, Europe and Asia and is also active in savings and asset management operations, accident and health insurance, general insurance and to a limited extent banking operations (provided by Aegon Bank).[128] The group serves approximately 30 million customers in Europe, Asia, and the Americas, including the Netherlands, United Kingdom, Singapore, Hong Kong, and the United States.[129] Their main global brands are Aegon and Transamerica, together with Blue Square Re and ADAMS (Aegon Direct & Affinity Marketing Services).[130] Brands used in the Netherlands are Aegon, Onna Onna, Eye Open Hypotheek Advies, Kroodle, Cappital, Knab, TKP, Pelargos, Saemor Capital, Nedasco Verzekeringen, Ensupport, Be Suitable, UMG, HR Financials Group, Kröller Assurantiën, Meeus, IAK Verzekeringen, Wannet Sports & Entertainment Insurance, Sperwer Assurantiën, and HM.[131]

Aegon's common shares are listed on the Amsterdam and New York stock exchanges.[132] More than three-quarters of shareholders are located in Aegon's three main markets, the Netherlands, United States and the United Kingdom.[133]

At the end of December 2015, Aegon had over 31,530 employees worldwide, of which 4,503 in the Netherlands.[134] The total revenues of Aegon over the financial year 2015 amounted to € 31.3 billion, of which € 5.6 billion originated from the Netherlands.[135] Insurance premium income over the financial year 2015 added up to € 20.3 billion, of which € 2.9 billion originated from the Netherlands.[136] As for the banking activities of Aegon Bank, deposits from customers stood at € 7.1 billion.[137]

3.2.1 Relevant investment policies

In the Fair Finance Guide methodology, the assessment elements in Table 14 are deemed relevant for this case study. The scores from the 2016 Fair Insurance Guide policy update are not used, as the purpose of this section is only to illustrate whether Aegon has a sufficient policy for the relevant assessment elements, not to grant a policy score as such. For this reason only a 'yes' or a 'no' has been used.

Table 14 Policy assessment elements in Aegon policies

	Assessment element	Aegon policy for investments own account (yes/no)	Aegon policy for asset management (yes/no)
1	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.	Yes	Yes
2	Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.	No	No

	Assessment element	Aegon policy for investments own account (yes/no)	Aegon policy for asset management (yes/no)
3	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.	No	No
4	Companies have a policy commitment to differentiate the human rights risks faced by women and men.	No	No
5	Companies respect the rights of local and indigenous communities on the fair and equal use of forests.	No	No
6	Companies prevent deforestation and protect natural forests including old growth forests, bogs, mangroves and rainforests, as described in the High Conservation Value (HCV) concept.	No	No
7	Companies identify and protect High Carbon Stock (HCS) forests.	No	No
8	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.	No	No
9	Companies prevent negative impact on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN).	No	No
10	Companies prevent negative consequences for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.	No	No
11	Production of oil palm fruit is certified according to the principles and criteria of the RSPO Certification.	No	No
12	Production and trade of palm oil is certified according the RSPO Supply Chain Certification Standard.	No	No
13	Production of oil palm fruit is certified according the principles and criteria of RSPO NEXT.	No	No
14	Companies publish a sustainability report that may contain (a number of) Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.	Yes	Yes

	Assessment element	Aegon policy for investments own account (yes/no)	Aegon policy for asset management (yes/no)
15	Large enterprises and multinational enterprises in the food industry publish a sustainability report that is set up in accordance with the GRI G4 Sustainability Reporting Guidelines, which includes the Food Processing Sector Disclosure (FSSD).	No	No
16	Companies integrate social, economic and environmental criteria in their procurement and operational policies.	No	No
17	Companies include clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors and suppliers.	No	No

3.2.2 Palm oil company investments

This research found that Aegon held shares in seven of the selected palm oil companies in the period 2013-2016. Table 15 provides an overview of the identified shareholdings.

Table 15 Aegon shareholdings in selected palm oil companies (2013-2016)

Group	2016		2015		2014		2013	
	% of shares	Value USD mln	% of shares	Value USD mln	% of shares	Value USD mln	% of shares	Value USD mln
Astra Agro Lestari	0.00%	0.1	0.01%	0.1	0.01%	0.3	0.01%	0.2
Golden Agri Resources	0.01%	0.6	0.02%	0.6	0.03%	1.4	0.03%	1.6
Indofood Sukses Makmur	0.01%	0.5	0.01%	0.5	0.01%	0.8	0.02%	0.9
IOI Group	0.01%	0.7	0.01%	0.8	0.01%	1.3	0.01%	1.4
Kuala Lumpur Kepong	0.01%	0.6	0.01%	0.6	0.01%	1.0	0.01%	1.0
Noble Group	0.01%	0.3	0.02%	0.6	0.03%	2.1	0.03%	1.7
Wilmar	0.01%	1.3	0.01%	1.2	0.01%	2.4	0.02%	2.6
Total		**4.1**		**4.4**		**9.2**		**9.5**

Source: Thomson EIKON (2017, January), "Shareholdings: Astra Agro Lestari, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Golden Agri Resources, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Indofood Sukses Makmur, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings IOI Corp, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Kuala Lumpur Kepong, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Noble Group Ltd, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Wilmar, 2012-2016", viewed in January 2017.

This research did not identify any investments by Aegon in the bonds issued by the selected companies.

3.2.3 Scores for implementation

In Table 16 the scores for Aegon are presented based on the answers to the questionnaire on five topics regarding the implementation of its responsible investment policies. However, no reports or other sources were shared to illustrate what Aegon's approach is to screening, engagement, voting or exclusion. For this reason, no scores can be granted.

Table 16 Scores for implementation

Assessment questions	Points
Screening *Screening refers to the practice of checking whether an investee company complies with the policies on deforestation and land grabs of a financial institution, prior to and during investment.*	6 of 9
Voting *Financial institutions can file resolutions or motions, or vote on resolutions or motions, to support improvement on ESG performance on deforestation and land grabs.*	0 of 6
Engagement *Financial institutions can start a dialogue with companies concerning their practices and policies on deforestation and land grabs, to achieve improvement*	0 of 14
Exclusion *If investee companies do not meet the criteria set by financial institutions, or do not improve their practices, the choice to exclude such companies from investment can be made*	0 of 8
Commitments *Financial institutions can formulate official commitments to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously*	0 of 1
Total score	**2 of 10**

3.2.4 Analysis

The analysis of Aegon's approach is based on the answers provided in the questionnaire, as well as on e-mail communication.

- **Screening**

  Aegon shared information showing that it screens companies for violations of the UN Global Compact principles. This screening includes palm oil companies, which are put on a 'watch list', however none have failed the screening so far. When companies that are part of Aegon's active investment portfolio receive a low rating after screening, follow-up screening research is conducted. This includes the policy commitments companies have made, as well as the company's risks in terms of biodiversity, land use, traceability, suppliers, NDPE commitments, land conflicts with communities, HCV and HCS areas and certification. Screening includes the upstream supply chain of palm oil companies. Aegon shared an example of one palm oil company, for this type of additional screening. Screening is not conducted in the same manner for all types of investments and it is not clear how often Aegon conducts screening.

- **Voting**

  Aegon has indicated that "We do not [...] file our own resolutions but stay active on clearinghouses such as PRI and the International Investors Group on Climate Change (IIGCC) so that we can support them when they are proposed". Aegon holds shares in seven of the selected palm oil companies. Aegon did not provide evidence or examples of voting on resolutions or motions.

- **Engagement**

  Aegon states that on the subject of land grabs, it participates with the IIGCC and PRI to develop Aegon's capabilities to better asses this problem. Aegon has indicated that it starts dialogues with companies in its portfolio that do not meet its sustainability criteria. However, according to Aegon the palm oil companies in this case study are not part of its engagement programme. "We do however engage extensively with companies that operate in the agricultural and food retail sectors and issues such as resource management, FPIC and broader stakeholder relations are integral to this. Some examples are Cargill, Nestle and Yum Brands". Evidence to confirm these engagements was not provided.

  No information is provided about whether Aegon engages with palm oil companies on their policies or on preventive measures regarding land grabs or deforestation specifically. Aegon states: "We support PRI's palm oil initiative and are also members of the methane advisory committee which has evolved from this".

  No objectives have been set yet for the engagement programme currently under way. All engagements will be evaluated on an annual basis, however none have been concluded so far.

  As Aegon did not share any information to illustrate its engagement approach for palm oil companies, or other companies in the palm oil supply chain, no points could be granted.

- **Exclusion**

  Aegon states: "We prefer to engage than exclude at this stage. The [palm oil] companies [in this case study] are all part of our passive funds and may be excluded in the future as we develop our ESG benchmark." Aegon states that all decisions relating to exclusion are reviewed by the Responsible Investment committee. The publicly available exclusion list does not feature companies involved in palm oil.

- **Commitments**

  Aegon did not make any official commitments to improve the implementation of its policy in the next year, during this study.

- **Conclusion**

  Aegon holds shares in seven of the selected palm oil companies. In the last four years (2013 – 2016) its shareholdings more than halved from USD 9.5 to USD 4.1. It is not known whether this decrease is related to Aegon's ESG policy, or if it is due to other reasons not related to ESG concerns.

Aegon has shown that it screens companies in terms of violations of the UN Global Compact principles. For companies within Aegon's active investment portfolio, additional screening is conducted that takes into account many relevant issues in the palm oil sector in terms of deforestation and land grabs. Aegon did not (co-)file or vote on any motions or resolutions regarding palm oil companies and deforestation or land grabbing. Aegon does state that it participates in clearinghouses such as PRI and IIGCC in order to support resolutions when they are proposed. In terms of excluding palm oil companies involved in deforestation and land grabs, Aegon prefers to engage rather than exclude a company. While no palm oil companies are excluded, Aegon does state that exclusion is possible. The process for exclusion is not explained sufficiently or illustrated.

Aegon did not make a commitment regarding any improvements in the implantation of its policies.

Aegon does not have many policies regarding deforestation and land grabs, as shown in section 3.2.1. This corresponds with the points granted in this case study, especially in terms of engagement.

Aegon shared information regarding its screening process and gained 6 points for this, however it did not provide sufficient evidence or relevant examples to corroborate the answers provided in the questionnaire on engagement, voting and exclusion. For this reason, many answers provided in the questionnaire are not supported with evidence and the final score is 2.

3.3 Allianz

The Allianz Group (Allianz) is an insurance and asset management group of German origin that serves 85.4 million customers in more than 70 countries in Europe, Asia, America and Australia, amongst which core markets are Germany, France, Italy and the United States.[138] It is one of the largest financial services groups in the world, providing a wide range of life and non-life insurance, banking and asset management services to its private, retail, corporate and institutional client base.[139] Oldenburgische Landesbank (OLB) is Allianz's main own banking product and service provider in Germany. OLB is Germany's largest private regional bank, covers the northwest of Germany.[140]

In the Netherlands, Allianz is operating under the brand Allianz and AllSecur.[141] Apart from approximately 0.5% of Allianz' shares held in treasury, all shares are held in free float on all the German and the New York stock exchanges.[142] Allianz is a component of the Euro Stoxx 50 stock market index.[143] In the fiscal year 2015, Allianz achieved total revenues of approximately € 125.2 billion and employed 142,459 employees at the end of 2015.[144] Amounts in current and savings accounts to customers stood at € 9.1 billion, and gross written premiums added up to € 76.7 billion by the end of December 2015.[145]

3.3.1 Relevant investment policies

In the Fair Finance Guide methodology, the assessment elements in Table 17 are deemed relevant for this case study. The scores from the 2016 Fair Insurance Guide policy update are not used, as the purpose of this section is only to illustrate whether Allianz has a sufficient policy for the relevant assessment elements, not to grant a policy score as such. For this reason only a 'yes' or a 'no' has been used.

Table 17 Policy assessment elements in Allianz policies

	Assessment element	Allianz policy for investments own account (yes/no)	Allianz policy for asset management (yes/no)
1	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.	Yes	Yes
2	Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.	Yes	Yes
3	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.	Yes	Yes
4	Companies have a policy commitment to differentiate the human rights risks faced by women and men.	No	No
5	Companies respect the rights of local and indigenous communities on the fair and equal use of forests.	Yes	Yes
6	Companies prevent deforestation and protect natural forests including old growth forests, bogs, mangroves and rainforests, as described in the High Conservation Value (HCV) concept.	No	No
7	Companies identify and protect High Carbon Stock (HCS) forests.	No	No
8	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.	No	No
9	Companies prevent negative impact on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN).	No	No
10	Companies prevent negative consequences for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.	No	No
11	Production of oil palm fruit is certified according to the principles and criteria of the RSPO Certification.	No	No
12	Production and trade of palm oil is certified according the RSPO Supply Chain Certification Standard.	No	No

	Assessment element	Allianz policy for investments own account (yes/no)	Allianz policy for asset management (yes/no)
13	Production of oil palm fruit is certified according the principles and criteria of RSPO NEXT.	No	No
14	Companies publish a sustainability report that may contain (a number of) Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.	No	No
15	Large enterprises and multinational enterprises in the food industry publish a sustainability report that is set up in accordance with the GRI G4 Sustainability Reporting Guidelines, which includes the Food Processing Sector Disclosure (FSSD).	No	No
16	Companies integrate social, economic and environmental criteria in their procurement and operational policies.	Yes	Yes
17	Companies include clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors and suppliers.	No	No

3.3.2 Palm oil company investments

This research found that Allianz Group held shares in nine of the selected palm oil companies in the period 2013-2016. Table 18 provides an overview of the identified shareholdings, as shown in Table 18.

Table 18 Allianz shareholdings in selected palm oil companies (2013-2016)

Group	2016		2015		2014		2013	
	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)
Astra Agro Lestari	0.11%	3.0	-	-	0.14%	4.5	0.08%	2.4
First Resources	0.10%	2.0	0.09%	1.8	0.49%	13.2	0.78%	20.3
Golden Agri Resources	-	-	-	-	1.37%	72.4	1.55%	88.0
Indofood Agri Resources	-	-	-	-	0.30%	4.6	0.41%	6.2
Indofood Sukses Makmur	0.09%	4.3	0.11%	4.3	0.12%	5.9	0.14%	8.0

IOI Group	0.00%	0.04	0.00%	0.01	0.00%	0.02	0.00%	0.2
Kuala Lumpur Kepong	0.06%	3.9	0.06%	3.4	0.06%	4.6	0.12%	9.3
Noble Group	0.02%	0.3	0.02%	1.0	0.00%	0.1	0.00%	0.02
Wilmar	0.00%	0.8	0.01%	0.9	0.04%	5.4	0.02%	4.1
Total		**14.3**		**11.5**		**110.7**		**138.5**

Source: Thomson EIKON (2017, January), "Shareholdings: Astra Agro Lestari, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: First Resources, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Golden Agri Resources, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Indofood Agri Resources, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Indofood Sukses Makmur, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings IOI Corp, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Kuala Lumpur Kepong, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Noble Group Ltd, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Wilmar, 2012-2016", viewed in January 2017.

This research found that Allianz had invested in bonds issued by two of the selected palm oil companies. Table 19 provides an overview of the identified bond holdings.

Table 19 Allianz investments in bonds issued by selected palm oil companies (2017 January, most recent filing)

Group	Filing date	% of outstanding bonds	Value (USD mln)	Source
Golden Agri-Resources	08/31/2015	0.7	2	[146]
Noble Group	06/30/2016	0.1	1.1	[147]
Total			**3.1**	

3.3.3 Scores for implementation

In Table 20 the scores for Allianz are presented, based on the answers provided by Allianz to a questionnaire on five topics regarding the implementation of its responsible investment policies. Allianz filled in the questionnaire but did not share sufficient evidence to support the answers, in order to receive points.

Table 20 Scores for implementation

Assessment questions	Points
Screening *Screening refers to the practice of checking whether an investee company complies with the policies on deforestation and land grabs of a financial institution, prior to and during investment.*	0 of 9
Voting *Financial institutions can file resolutions or motions, or vote on resolutions or motions, to support improvement on ESG performance on deforestation and land grabs.*	0 of 6
Engagement *Financial institutions can start a dialogue with companies concerning their practices and policies on deforestation and land grabs, to achieve improvement.*	0 of 14
Exclusion *If investee companies do not meet the criteria set by financial institutions, or do not improve their practices, the choice to exclude such companies from investment can be made.*	0 of 8

Assessment questions	Points
Commitments *Financial institutions can formulate official commitments to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously.*	0 of 1
Total score	**1 of 10**

3.3.4 Analysis

Based on the answers provided by Allianz in the questionnaire and the subsequent scores, the following analysis can be made of the five different parts of the assessment. Allianz only shared one document with the researchers, about the policy of Allianz, not about how this policy is implemented.

- **Screening**

  Allianz did not provide evidence or examples of how screening is conducted, or for which companies this is done. Allianz does state that it screens every new investment and existing investments once a year. However, reference to policy documents is not sufficient to corroborate these statements. Furthermore, Allianz states that screening is conducted for several issues related to the policies, commitments and preventive measures palm oil companies have in place regarding land grabs or deforestation. Screening also includes the upstream supply chain of palm oil companies.

  Nevertheless, no examples of such screening are provided by Allianz. For this reason the claims of Allianz cannot be checked and no points can be granted.

- **Voting**

  Allianz provided no information about the filing of motions or resolutions, or regarding support for motions or resolutions, aimed at improving policies and practices on issues related to deforestation and land grabs. No points can be granted.

- **Engagement**

  Allianz states that it does not publish details of its engagement with companies. Allianz does state that it does incidentally start a dialogue with investee companies that are involved in deforestation and or land grabbing and that this is conducted through the PRI Sustainable Palm Oil Working Group. However, without any evidence or examples about engagement, no points can be granted.

- **Exclusion**

  No information was provided regarding the exclusion or possible exclusion of palm oil companies, after screening or after unsuccessful engagement. No points can be granted.

- **Commitments**

  Allianz did not provide an official written declaration, committing itself to use more instruments within one year to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously. No points can be granted.

- **Conclusion**

  Allianz indicates that screening is conducted, as well as engagement. There is no response concerning voting, exclusions, and commitments. Concerning engagement, Allianz states that information regarding engagement is not made public. The information provided by Allianz in this case study has been very limited, making it difficult to assess the implementation of Allianz' policies on this topic.

  In the last four years (2013 - 2016), the shareholdings of Allianz in the selected palm oil companies that were identified in this research, decreased substantially. In 2013 the total value of identified shareholdings were USD 138.5 million, and in 2016 this was USD 14.3 million. It is not possible to analyse whether this decrease is related to Allianz' ESG approach, as not enough information has been shared to assess this.

  Allianz has a few policies that are relevant in terms of deforestation and land grabs as described in section 3.3.1. However, it was not possible to assess implementation of policies, as evidence and examples of for instance, how screening criteria are implemented, were not provided. This means that scoring points is not possible and the total score is 1.

3.3.5 Statement by Allianz

Allianz has responded to the case study with the following statement:

"Allianz has provided [Eerlijke Verzekeringswijzer] with our ESG framework, which explains our overall approach to integrating ESG aspects into our investment decisions. Hereby, Allianz also takes factors like deforestation and land grabs into consideration. We do not further disclose single issuer analysis, investment decision making and transactions to the level [Eerlijke Verzekeringswijzer] sees as evidence. As shown by the very little exposure of Allianz in the selected companies, the palm oil sector plays a very minor role for our overall investment universe. We don't have any particular investment focus on this sector, also being well aware of the various ESG issues it comprises."

3.3.6 Reaction to Allianz' statement by the Fair Insurance Guide

The Fair Insurance Guide coalition has responded to Allianz' statement with the following response:

"The palm oil sector should be considered a risk sector for financial investment. The Fair Insurance Guide [De Eerlijke Verzekeringswijzer] expects insurance groups to have policies (and consequently ensure their implementation) for all investment decisions irrespective of their size. Here transparency can and should be central in order to ensure accountability. This is in line with the UNGP Reporting Framework, which places emphasis on those human rights at risk of the most severe negative impact. The UNGP states that 'Materiality depends on the choice of a particular audience or goal for which things are then judged more or less important. [...] The choice of audience or goal then dictates the selection of material issues. By contrast, salient human rights issues are not defined in reference to any one audience or goal. Salience puts the focus on those human rights at risk of the most severe negative impact. This provides a consistent, predictable and principled means of identifying the appropriate focus of human rights reporting.'"[148]

3.4 APG

APG Groep (APG) is a pension and asset management services provider originating from and operating in the Netherlands.[149] It specializes in collective pensions and looks after the pensions for approximately 4.5 million Dutch citizens.[150] APG provides asset management, administration, communication and executive consultancy services for large, medium sized, and small pension funds in the public and private sectors.[151] APG operates three brands: APG, Loyalis and Inadmin.[152] The group has subsidiaries in New York, Brussels and Hong Kong.[153] Turnover for the year ending 31 December 2015 stood at € 1.0 billion, and insurance premiums amounted to € 253.2 million. [154] During 2015, on average, 3,482 employees were employed by APG, of which 147 outside of the Netherlands.[155] APG is owned for 92.2% by the Stichting ABP (ABP Foundation) and for 7.8% by the Stichting SFB (SFB Foundation).[156]

3.4.1 Relevant investment policies

In the Fair Finance Guide methodology, the assessment elements in Table 21 are deemed relevant for this case study. The scores from the 2016 Fair Insurance Guide policy update are not used, as the purpose of this section is only to illustrate whether APG has a sufficient policy for the relevant assessment elements, not to grant a policy score as such. For this reason only a 'yes' or a 'no' has been used.

Table 21 Policy assessment elements in APG policies

	Assessment element	APG policy for investments own account (yes/no)	APG policy for asset management (yes/no)
1	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.	Yes	Yes
2	Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.	No	No
3	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.	No	No
4	Companies have a policy commitment to differentiate the human rights risks faced by women and men.	No	No
5	Companies respect the rights of local and indigenous communities on the fair and equal use of forests.	No	No
6	Companies prevent deforestation and protect natural forests including old growth forests, bogs, mangroves and rainforests, as described in the High Conservation Value (HCV) concept.	No	No

	Assessment element	APG policy for investments own account (yes/no)	APG policy for asset management (yes/no)
7	Companies identify and protect High Carbon Stock (HCS) forests.	No	No
8	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.	No	No
9	Companies prevent negative impact on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN).	No	No
10	Companies prevent negative consequences for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.	No	No
11	Production of oil palm fruit is certified according to the principles and criteria of the RSPO Certification.	No	No
12	Production and trade of palm oil is certified according the RSPO Supply Chain Certification Standard.	No	No
13	Production of oil palm fruit is certified according the principles and criteria of RSPO NEXT.	No	No
14	Companies publish a sustainability report that may contain (a number of) Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.	Yes	Yes
15	Large enterprises and multinational enterprises in the food industry publish a sustainability report that is set up in accordance with the GRI G4 Sustainability Reporting Guidelines, which includes the Food Processing Sector Disclosure (FSSD).	No	No
16	Companies integrate social, economic and environmental criteria in their procurement and operational policies.	Yes	No
17	Companies include clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors and suppliers.	No	No

3.4.2 Palm oil company investments

This research found that APG held shares in seven of the selected palm oil companies in the period 2013-2016. Table 22 provides an overview of the identified shareholdings.

Table 22 APG shareholdings in selected palm oil companies (2013-2016)

Group	2016		2015		2014		2013	
	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)
Astra Agro Lestari	0.10%	2.2	0.11%	2.7	0.13%	4.0	0.06%	2.0
Golden Agri Resources	0.04%	1.1	0.05%	1.6	0.07%	3.7	0.41%	27.8
Indofood Sukses Makmur	0.20%	6.5	0.20%	7.9	0.11%	4.9	0.28%	14.8
IOI Group	0.08%	5.4	0.06%	3.8	0.14%	12.8	0.12%	13.0
Kuala Lumpur Kepong	0.08%	4.3	0.07%	4.4	0.07%	5.3	0.06%	4.3
Noble Group	-	-	0.04%	1.6	0.22%	12.3	0.27%	16.0
Wilmar	0.04%	5.4	0.08%	11.5	0.06%	10.1	0.07%	10.9
Total		**25.0**		**33.6**		**53.1**		**89.0**

Source: Thomson EIKON (2017, January), "Shareholdings: Astra Agro Lestari, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Golden Agri Resources, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Indofood Sukses Makmur, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings IOI Corp, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Kuala Lumpur Kepong, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Noble Group Ltd, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Wilmar, 2012-2016", viewed in January 2017.

This research did not identify any investments by APG in the bonds issued by the selected companies.

3.4.3 Scores for implementation

In Table 23 the scores for APG are presented, based on the answers provided by APG to a questionnaire on five topics regarding the implementation of their policies.

Table 23 Scores for implementation

Assessment questions	Points
Screening *Screening refers to the practice of checking whether an investee company complies with the policies on deforestation and land grabs of a financial institution, prior to and during investment.*	1 of 9
Voting *Financial institutions can file resolutions or motions, or vote on resolutions or motions, to support improvement on ESG performance on deforestation and land grabs.*	5 of 6

Assessment questions	Points
Engagement *Financial institutions can start a dialogue with companies concerning their practices and policies on deforestation and land grabs, to achieve improvement*	2 of 14
Exclusion *If investee companies do not meet the criteria set by financial institutions, or do not improve their practices, the choice to exclude such companies from investment can be made*	0 of 8
Commitments *Financial institutions can formulate official commitments to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously*	0 of 1
Total score	**2 of 10**

3.4.4 Analysis

Based on the answers provided by APG and subsequent scores, the following analysis can be made of the five different parts of the assessment.

- **Screening**

  APG describes its screening process as follows: "Every listed investment we make through an active investment strategy requires an investment case. Each investment case includes insights on ESG risks and outlook. These inputs are sourced from in-house expertise, meetings with the companies, and external third-party ESG sources readily available to the fund managers. The combination of these sources provides perspectives on issues facing the company, including matters related to land grabs or illegal deforestation. All active investment decisions are therefore informed of these inputs."

  The evidence provided by APG shows it includes "Land use and biodiversity" and "Community Relations" in the ESG screening of palm oil companies Wilmar and Golden Agri Resources. The documents do not provide more details on the screening, which makes it unclear if APG screens for policy statements and preventive measures of companies.

  APG claims the screening explicitly includes the upstream supply chain of palm oil companies, but does not back up this claim with evidence. "Issues related to upstream suppliers form a part of the assessment. This is also one of the areas where we place a strong emphasis on through our engagement. The ESG dashboard also picks up issues upstream in the company's supply chain. APG also speaks with companies outside of its current portfolio, to understand practices in the industry and the supply chain; for example, last year, APG spoke with two mid-sized palm oil companies that are in the palm oil supply chain, including some of the palm oil companies we have investments in, but are not in our investment portfolio".

  APG does not confirm that the implementation of its policies is done in the same manner for all financing, including asset management for third parties and passively managed funds.

- **Voting**

  APGs voting behaviour shows four examples of voting in favour of resolutions aimed at improving policies and practices regarding issues related to deforestation and land grabs. All examples are on consumer goods companies using palm oil in their products:

- Bunge: Shareholder resolution on the adoption of goals to reduce deforestation in Supply Chain;
- Tyson Foods: Shareholder resolution asking for a report on Practices to Mitigate Palm Oil Sourcing Impacts;
- Kraft Foods Group: Shareholder resolution on the adoption of goals to reduce deforestation in Supply Chain; and
- Energizer Holdings: Shareholder resolution on the adoption of sustainable palm oil sourcing policy.[157]

- **Engagement**

In the research period, APG and other investors engaged with Wilmar. In 2014 APG reported on its successful engagement with the company: "The company intends to cease all further exploitation of peat bogs and contributions to further deforestation."[158]

APG states: "When serious indications of illegal deforestation or land grabs are found that implicate our investee companies, we do engage with the companies to understand their perspectives and [make relevant requests]. APG has done so for two of its holdings in the past year: (a) IOI, an integrated Malaysian palm oil company in relation to issues that resulted in the RSPO complaint that led to their suspension; and (b) Wilmar, an integrated Singapore / Indonesian palm oil company in relation to its response to illegal deforestation by one of its suppliers". However, no evidence to support this evidence was provided by APG.

On the engagement process, APG states: "Examples of engagement [requirements] include:

- Becoming an RSPO signatory;
- Increase the percentage of mills or estates that are RSPO certified; and
- Improve the traceability to mills/estates/third party sources.

Last year we asked a major palm oil company to become a RSPO signatory and also engaged with them on their plans for implementing a No Deforestation, No Peat, and No Exploitation policy. In 2016, APG also engaged with a major trader to improve its traceability to oil palm estates and third party suppliers".

Regarding engagement on policy commitments, APG states that "several of the major companies we are invested in are beyond the point of policy development; our focus, often in engagement, is on the implementation of these policies". However, not all companies have adequate policies. In addition, not all companies that do have policies, have adequate policies. Hence, investors are in the position to continue engagement on this issue.

Regarding engagement that focuses on preventive measures, APG has stated that: "We held meetings with six of our palm oil investee companies last year - Astra Agro Lestari, Golden Agri-Resources, Wilmar, IOI, KLK, Sime Darby. We also met with an affiliate (Indofood Agri Resources) of one of our palm oil-related holdings. These meetings were exclusively focused on ESG issues. In all of these meetings we have asked companies about progress on preventive measures related to peat clearance, land rights, burning."

APG does not provide sufficient evidence on details on the engagement objectives, processes and evaluation, making it difficult for the researchers to check the statements described above.

- **Exclusion**

  APG maintains an exclusion list: "APG expects companies to act with respect for the principles of the UN Global Compact, and we will divest if the dialogue does not lead to improvement". There are no palm oil companies excluded from investment and APG does not provide any further information or examples regarding its approach to exclusion. APG provided no additional information about their exclusion approach, such as when an exclusion is reviewed.

- **Commitments**

  APG does not commit to use more instruments within one year to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously.

- **Conclusion**

  Based on the shareholdings that were identified in this research, in the last four years (2013 - 2016) APG gradually reduced its shareholdings in the selected palm oil companies. In 2013 APG invested USD 89 million in the selected palm oil companies, while in 2016 only USD 25 million was invested.

  APG shows evidence of screening for "Land use and biodiversity" and "Community relations" and engaging with one palm oil company on deforestation. However, as APG does not share its definition of "Land use and biodiversity" and "Community relations", it is not clear what APG means by this. APGs did not provide detailed evidence of its screening, engagement and exclusion practices. This lack of evidence leads to a low score on screening, engagement and exclusion. In this case study, points cannot be granted only for statements. It is necessary to also show some types of evidence in order to corroborate the answers in the questionnaire.

  At shareholder meetings of food companies using palm oil, APG votes in favour of resolutions aimed at improving policies and practices regarding issues related to deforestation and land grabs.

  While APG has very limited responsible investment policies as shown in section 3.4.1, APG has shared some information showing that attention is paid to at least the issue of deforestation.

  Based on the information provided by APG, the total score for APG regarding screening, voting, engagement, exclusion and commitments is 2.

3.4.5 Statement by APG

APG has provided the following statement, in reaction to the findings of this study:

"As a longtime member of the PRI's Sustainable Palm Oil Investor Working Group, APG has called on all palm oil producers to make strong public commitments to cease deforestation, development on peat lands, and violations of human rights. In addition, in the past years APG itself has undertaken numerous engagements and dialogues with individual palm oil companies on these topics. APG believes that a certain level of confidentiality regarding these engagements is necessary to achieve the desired outcomes effectively. The fact that our specific approach to engagements is not awarded sufficient points in the methodology of the FFG-report, does not deter us from striving to achieve - in the manner we think is most effective - the goals of countering deforestation and confronting other important issues in the palm oil sector such as human rights and labour standards."

3.4.6 Reaction to APG's statement by the Fair Insurance Guide

The Fair Insurance Guide coalition has reacted to APG's statement with the following response:

"Transparency should have a central place in the commitments of insurance groups to ensure accountability. Here it is important that APG reports in more detail about their engagements by disclosing the steps APG undertakes, with how many/which palm oil companies and with which results."

3.5 ASR Nederland

ASR Nederland N.V. (ASR) is a Dutch insurance group with operations exclusively in the Netherlands. ASR offers products for property & casualty insurance (all customer segments), pensions (defined benefit and defined contribution products for the commercial market), individual life (savings, term life and annuity) and banking products (mortgages, savings and investments for retail clients).[159] ASR used to be part of the Fortis group but was acquired by the Dutch government following the financial difficulties of Fortis in 2008. In 2011, the Dutch State transferred all the shares to the NL Financial Investments in exchange for depositary receipts for these shares. A process of the sale of ASR to the private sector has been approved by the lower House of Dutch Parliament in January 2016 and was effectuated for 40% by a listing on the Amsterdam Exchange on June 10th, 2016.[160] ASR operates under the following brands: ASR, De Amersfoortse, Ditzo, Europeesche Verzekeringen and Ardanta.[161] ASR had 3,650 employees (full time equivalent basis) at the end of December 2015.[162] Gross written premiums over the financial year 2015 were € 4.1 billion.[163] Total income at the end of December 2015 amounted to € 3.7 billion. The amount due to customers stood at € 1.8 billion per December 31, 2015.[164]

In 2016 ASR acquired BNG Vermogensbeheer. As this study covers investment data until the end of 2016, the investment category asset management is not yet considered as relevant for ASR.[165]

3.5.1 Relevant investment policies

In the Fair Finance Guide methodology, the assessment elements in Table 24 are deemed relevant for this case study. The scores from the 2016 Fair Insurance Guide policy update are not used, as the purpose of this section is only to illustrate whether ASR has a sufficient policy for the relevant assessment elements, not to grant a policy score as such. For this reason only a 'yes' or a 'no' has been used.

At the time of the 2016 Fair Insurance Guide policy update ASR did not have any asset management activities, therefore only policies for investments for own account are shown in Table 24.

Table 24 Policy assessment elements in ASR policies

	Assessment element	ASR policy for investments own account (yes/no)
1	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.	Yes

	Assessment element	ASR policy for investments own account (yes/no)
2	Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.	Yes
3	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.	Yes
4	Companies have a policy commitment to differentiate the human rights risks faced by women and men.	No
5	Companies respect the rights of local and indigenous communities on the fair and equal use of forests.	Yes
6	Companies prevent deforestation and protect natural forests including old growth forests, bogs, mangroves and rainforests, as described in the High Conservation Value (HCV) concept.	Yes
7	Companies identify and protect High Carbon Stock (HCS) forests.	No
8	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.	No
9	Companies prevent negative impact on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN).	Yes
10	Companies prevent negative consequences for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.	Yes
11	Production of oil palm fruit is certified according to the principles and criteria of the RSPO Certification.	Yes
12	Production and trade of palm oil is certified according the RSPO Supply Chain Certification Standard.	No
13	Production of oil palm fruit is certified according the principles and criteria of RSPO NEXT.	No
14	Companies publish a sustainability report that may contain (a number of) Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.	Yes

	Assessment element	ASR policy for investments own account (yes/no)
15	Large enterprises and multinational enterprises in the food industry publish a sustainability report that is set up in accordance with the GRI G4 Sustainability Reporting Guidelines, which includes the Food Processing Sector Disclosure (FSSD).	Yes
16	Companies integrate social, economic and environmental criteria in their procurement and operational policies.	Yes
17	Companies include clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors and suppliers.	Yes

3.5.2 Palm oil company investments

This research did not identify any investments by ASR Nederland in the bonds or shares of the selected palm oil companies. ASR has confirmed that these findings are accurate.

3.5.3 Scores for implementation

As no investments by ASR were identified in the selected palm oil companies, ASR has been scored as 'not active' for this case study. It is not possible to form an assessment as to what the reason is that ASR does not have investments in the selected companies.

3.5.4 Statement by ASR Nederland

ASR has provided the following statement: "a.s.r. SRI policy assesses the sustainability of the companies based on six domains: Human capital, Environment, Market ethics, Corporate governance, Social impact and Human rights. This policy is publicly available at ASR's website.[166] Human Rights have a prominent role in a.s.r. SRI policy, where companies are expected to prevent fundamental human rights violations or complicity to violations, addressing adverse human rights impacts and promoting or contributing to promoting these rights. The Environment criteria contains an assessment on the company's risk management related to the affection of biodiversity, covering international certification schemes as the Certified Palm Oil/RSPO, which is the standard for sustainable palm oil production. Companies breaching severe and frequently Human Rights or Environmental principles would be engaged or excluded from a.s.r. portfolios."

3.6 Delta Lloyd

Delta Lloyd is an insurance and banking group from Dutch origin, which provides life insurance, pensions, general insurance, asset management and banking products and services to 4.2 million private, retail and corporate customers in the Netherlands and Belgium.[167] The group has four brands in the Netherlands, namely Delta Lloyd, ABN AMRO Verzekeringen, BeFrank and Ohra.[168] The group's ordinary shares are listed on the stock exchanges in Amsterdam and Brussels.[169] Delta Lloyd has 4,130 full-time employees, of which 3,647 are located in the Netherlands and the rest in Belgium.[170] Gross written premiums over the year 2015 were € 4.0 billion, of which € 3.2 billion originated from the Netherlands.[171] Total income stood at € 6.1 billion, of which approximately € 4.7 billion came from the Netherlands.[172] Customer savings and deposits were € 5.1 billion, all of which originated from the Netherlands (the Belgian banking activities were sold to the Chinese insurance group Anbang).[173]

As of February 2017, NN Group is in the process of acquiring all outstanding shares of Delta Lloyd. The acquisition is expected to be finalized in the second quarter of 2017. This case study is conducted before the acquisition process was finalized. Hence, Delta Lloyd and NN Group are assessed separately.[174]

3.6.1 Relevant investment policies

In the Fair Finance Guide methodology, the assessment elements in Table 25 are deemed relevant for this case study. The scores from the 2016 Fair Insurance Guide policy update are not used, as the purpose of this section is only to illustrate whether Delta Lloyd has a sufficient policy for the relevant assessment elements, not to grant a policy score as such. For this reason only a 'yes' or a 'no' has been used.

Table 25 Policy assessment elements in Delta Lloyd policies

	Assessment element	Delta Lloyd policy for investments own account (yes/no)	Delta Lloyd policy for asset management (yes/no)
1	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.	Yes	Yes
2	Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.	Yes	Yes
3	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.	Yes	Yes

	Assessment element	Delta Lloyd policy for investments own account (yes/no)	Delta Lloyd policy for asset management (yes/no)
4	Companies have a policy commitment to differentiate the human rights risks faced by women and men.	No	No
5	Companies respect the rights of local and indigenous communities on the fair and equal use of forests.	Yes	Yes
6	Companies prevent deforestation and protect natural forests including old growth forests, bogs, mangroves and rainforests, as described in the High Conservation Value (HCV) concept.	Yes	Yes
7	Companies identify and protect High Carbon Stock (HCS) forests.	Yes	Yes
8	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.	No	No
9	Companies prevent negative impact on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN).	Yes	Yes
10	Companies prevent negative consequences for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.	No	No
11	Production of oil palm fruit is certified according to the principles and criteria of the RSPO Certification.	No	No
12	Production and trade of palm oil is certified according the RSPO Supply Chain Certification Standard.	No	No
13	Production of oil palm fruit is certified according the principles and criteria of RSPO NEXT.	No	No
14	Companies publish a sustainability report that may contain (a number of) Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.	Yes	Yes
15	Large enterprises and multinational enterprises in the food industry publish a sustainability report that is set up in accordance with the GRI G4 Sustainability Reporting Guidelines, which includes the Food Processing Sector Disclosure (FSSD).	Yes	Yes

	Assessment element	Delta Lloyd policy for investments own account (yes/no)	Delta Lloyd policy for asset management (yes/no)
16	Companies integrate social, economic and environmental criteria in their procurement and operational policies.	Yes	Yes
17	Companies include clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors and suppliers.	Yes	Yes

3.6.2 Palm oil company investments

This research found that Delta Lloyd held shares in three of the selected palm oil companies in the period 2013-2016. Table 26 provides an overview of the identified shareholdings.

Table 26 Delta Lloyd shareholdings in selected palm oil companies (2013-2016)

Group	2016		2015		2014		2013	
	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)
Golden Agri Resources	0.00%	0.1	0.42%	15.9	0.69%	35.4	0.00%	0.1
Noble Group	0.00%	0.1	0.00%	0.1	0.00%	0.2	0.00%	0.1
Wilmar	0.00%	0.3	0.00%	0.2	0.00%	0.2	0.00%	0.1
Total		**0.5**		**16.2**		**35.7**		**0.3**

Source: Thomson EIKON (2017, January), "Shareholdings: Golden Agri Resources, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Noble Group Ltd, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Wilmar, 2012-2016", viewed in January 2017.

This research did not identify any investments by Delta Lloyd in the bonds issued by the selected companies.

3.6.3 Scores for implementation

In Table 27 the scores for Delta Lloyd are presented, based on the answers provided by Delta Lloyd to a questionnaire on five topics regarding the implementation of its responsible investment policies.

Table 27 Scores for implementation

Assessment questions	Points
Screening *Screening refers to the practice of checking whether an investee company complies with the policies on deforestation and land grabs of a financial institution, prior to and during investment.*	2 of 9
Voting *Financial institutions can file resolutions or motions, or vote on resolutions or motions, to support improvement on ESG performance on deforestation and land grabs.*	0 of 6
Engagement *Financial institutions can start a dialogue with companies concerning their practices and policies on deforestation and land grabs, to achieve improvement.*	0 of 14
Exclusion *If investee companies do not meet the criteria set by financial institutions, or do not improve their practices, the choice to exclude such companies from investment can be made.*	4 of 6
Commitments *Financial institutions can formulate official commitments to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously.*	0 of 1
Total score	**2 of 10**

3.6.4 Analysis

Based on the answers provided by Delta Lloyd in the questionnaire and the subsequent scores, the following analysis can be made of the five different parts of the assessment.

- **Screening**

  Delta Lloyd screens all companies in its investment universe for violations of the UN Global Compact, as well as on the issues of land use and biodiversity. Delta Lloyd states that screening is conducted on a structural basis, however this is not clear from the information shared. There are no further details provided regarding land use and biodiversity criteria. Delta Lloyd does state that it keeps track of several palm oil companies that are on a Global Compact watch list due to implication in land grabbing issues.

  There is no evidence of the inclusion of the upstream supply chain of palm oil companies in the screening process. Delta Lloyd does apply additional ESG screening to its ESG fund, but there is no evidence this additional screening is applied to all relevant funds.

  Delta Lloyd has shared evidence of excluding a palm oil company from its ESG fund due to a low score on the controversy scan. Delta Lloyd's exclusion list shows that palm oil company Kuala Lumpur Kepong (KLK) is excluded from investment for human rights violations.

- **Voting**

  Delta Lloyd did not provide any information regarding voting. No motions or shareholder resolutions were filed or supported aimed at improving policies and practices regarding issues related to deforestation and land grabs during the research period, for the palm oil companies in this research, or other relevant companies in the palm oil supply chain.

- **Engagement**

  Delta Lloyd did not provide any information regarding engagement with palm oil companies on deforestation or land grabbing, or related issues. It is not clear whether any engagement was conducted with palm oil companies.

- **Exclusion**

  Delta Lloyd excluded KLK for involvement in child labour and land abuse. It is not clear what land abuse relates to. Delta Lloyd also stated that it automatically excludes companies from its ESG funds when they have a low score regarding UN Global Compact violations, as well as a low score on land use and biodiversity. Delta Lloyd did not engage with the company prior to exclusion. Delta Lloyd has stated that the decision to exclude is reviewed every quarter.

- **Commitments**

  Delta Lloyd did not formulate official commitments during this research to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously.

- **Conclusion**

  Delta Lloyd's investments in the selected palm oil companies fluctuate over the years: from USD 0.3 million in 2013, to USD 35 million in 2014 and back to USD 0.5 million in 2016. Delta Lloyd states it no longer holds investments in these companies in 2017. It is not clear if these investment changes are related to the responsible investment policy and practices of Delta Lloyd. Delta Lloyd states that this change is due to stricter ESG policies for its ESG funds.

  Delta Lloyds applies screening on the principles of the UN Global Compact, as well as land use and biodiversity issues to all companies invested in. The screening includes several palm oil companies on a Global Compact watch list due to land grabbing. Delta Lloyd excluded one palm oil company KLK for involvement in human rights violations, according to its exclusion list. Delta Lloyd did not provide any information on whether it engages with palm oil companies.

  Delta Lloyd has responsible investment policies that are relevant for both land grabs and deforestation as shown in Table 25, however this is not adequately reflected in the points granted in this case study.

  Delta Lloyd score a total of 2 for the questions on screening, voting, engagement and exclusion.

3.7 Generali

The Generali Group (Generali) is an insurance group of Italian origin, servicing 72 million customers in over 60 countries in Western-Europe, Middle- and Eastern Europe and Asia, with its biggest markets being in Germany, France and Italy.[175] The group provides life business (savings, family protection, unit-linked policies, etc.), property and casualty insurances and asset management services to the retail and the corporate sector.[176] Generali's ordinary shares are listed on the Milan Stock Exchange.[177] In the Netherlands, the group operates under the brand name Generali.[178] At the end of December 2015, Generali had 76,191 employees.[179] Gross written premiums over the financial year 2015 were € 74.2 billion, and total income amounted to € 92.0 billion.[180]

3.7.1 Relevant investment policies

In the Fair Finance Guide methodology, the assessment elements in Table 28 are deemed relevant for this case study. The scores from the 2016 Fair Insurance Guide policy update are not used, as the purpose of this section is only to illustrate whether Generali has a sufficient policy for the relevant assessment elements, not to grant a total policy score as such. For this reason only a 'yes' or a 'no' has been used.

Table 28 Policy assessment elements in Generali policies

	Assessment element	Generali policy for investments own account (yes/no)	Generali policy for asset management (yes/no)
1	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.	No	No
2	Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.	No	No
3	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.	No	No
4	Companies have a policy commitment to differentiate the human rights risks faced by women and men.	No	No
5	Companies respect the rights of local and indigenous communities on the fair and equal use of forests.	No	No

	Assessment element	Generali policy for investments own account (yes/no)	Generali policy for asset management (yes/no)
6	Companies prevent deforestation and protect natural forests including old growth forests, bogs, mangroves and rainforests, as described in the High Conservation Value (HCV) concept.	No	No
7	Companies identify and protect High Carbon Stock (HCS) forests.	No	No
8	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.	No	No
9	Companies prevent negative impact on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN).	No	No
10	Companies prevent negative consequences for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.	No	No
11	Production of oil palm fruit is certified according to the principles and criteria of the RSPO Certification.	No	No
12	Production and trade of palm oil is certified according the RSPO Supply Chain Certification Standard.	No	No
13	Production of oil palm fruit is certified according the principles and criteria of RSPO NEXT.	No	No
14	Companies publish a sustainability report that may contain (a number of) Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.	No	No
15	Large enterprises and multinational enterprises in the food industry publish a sustainability report that is set up in accordance with the GRI G4 Sustainability Reporting Guidelines, which includes the Food Processing Sector Disclosure (FSSD).	No	No
16	Companies integrate social, economic and environmental criteria in their procurement and operational policies.	No	No

	Assessment element	Generali policy for investments own account (yes/no)	Generali policy for asset management (yes/no)
17	Companies include clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors and suppliers.	No	No

3.7.2 Palm oil company investments

This research found that Generali held shares in one of the selected palm oil companies in the period 2013-2016. Table 29 provides an overview of the identified shareholdings.

Table 29 Generali shareholdings in selected palm oil companies (2013-2016)

Group	2016		2015		2014		2013	
	% of shares	Value USD mln	% of shares	Value USD mln	% of shares	Value USD mln	% of shares	Value USD mln
Wilmar	-	-	0.00%	0.2	0.00%	0.2	0.00%	0.2
Total			**0.00%**	**0.2**	**0.00%**	**0.2**	**0.00%**	**0.2**

Source: Thomson EIKON (2017, January), "Shareholdings: Wilmar, 2012-2016", viewed in January 2017.

This research did not identify any investments by Generali in the bonds issued by the selected companies.

3.7.3 Scores for implementation

In Table 30 the scores for Generali are presented. Generali did not respond to questionnaire and therefore no points can be assigned.

Table 30 Scores for implementation

Assessment questions	Points
Screening *Screening refers to the practice of checking whether an investee company complies with the policies on deforestation and land grabs of a financial institution, prior to and during investment.*	0 of 9
Voting *Financial institutions can file resolutions or motions, or vote on resolutions or motions, to support improvement on ESG performance on deforestation and land grabs.*	0 of 6
Engagement *Financial institutions can start a dialogue with companies concerning their practices and policies on deforestation and land grabs, to achieve improvement.*	0 of 14
Exclusion *If investee companies do not meet the criteria set by financial institutions, or do not improve their practices, the choice to exclude such companies from investment can be made.*	0 of 8
Commitments *Financial institutions can formulate official commitments to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously.*	0 of 1
Total score	**1**

3.7.4 Analysis

Generali does not have any policies on the topics of deforestation and land grabs, as shown in Table 28. Generali did not respond to the questionnaire regarding its screening, voting, engagement or exclusion practices in the last four years (2013 - 2016) regarding palm oil companies and did not provide a statement in response to the case study. For this reason, no analysis can be made of Generali's approach to the selected palm oil companies in relation to land grabbing or deforestation risks. This research identified limited investments for the period 2013 – 2015 and none for 2016.

3.8 Legal & General

Legal & General Group (Legal & General) is a global insurance and investment management group, established in London, United Kingdom.[181] The group serves over 10 million retail customers and a further 3,500 institutional customers through businesses in the United Kingdom, the United States, the Netherlands and through its joint venture in India (India First Life).[182] It transacts life assurance and long-term savings business, investment management and most classes of general insurance and health business.[183] Legal & General is listed on the London Stock Exchange.[184] During the 2015 financial year, Legal & General employed 10,148 staff (monthly average), of which the majority was based in the United Kingdom (7,719) and 405 in the rest of Europe, of which 168 in the Netherlands (2014 figure).[185][186] Legal & General Nederland is the subsidiary active in the Netherlands. It services approximately 200,000 customers, with a turnover of approximately € 300 million in 2014.[187] Global turnover for the entire group in 2015 stood at £ 12.7 billion (€ 17.2 billion).[188] At the end of December 2015, Legal & General's gross written premiums (including UK savings of £ 88 million (€ 119.4 million)) totalled £ 6.3 billion (€ 8.5 billion), of which £ 161 million (€ 218.4 million) originated from the Netherlands.[189]

In November 2016, the British insurance group Chesnara announced the intention to acquire all shares of Legal & General Nederland.[190] During the research period of this study, the acquisition was not finalized. Hence, Legal & General Group is assessed as the parent company of Legal & General Nederland.

3.8.1 Relevant investment policies

In the Fair Finance Guide methodology, the assessment elements in Table 31 are deemed relevant for this case study. The scores from the 2016 Fair Insurance Guide policy update are not used, as the purpose of this section is only to illustrate whether Legal & General has a sufficient policy for the relevant assessment elements, not to grant a policy score as such. For this reason only a 'yes' or a 'no' has been used.

Table 31 Policy assessment elements in Legal & General policies

	Assessment element	Legal & General policy for investments own account (yes/no)	Legal & General policy for asset management (yes/no)
1	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.	No	No
2	Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.	No	No

	Assessment element	Legal & General policy for investments own account (yes/no)	Legal & General policy for asset management (yes/no)
3	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.	No	No
4	Companies have a policy commitment to differentiate the human rights risks faced by women and men.	No	No
5	Companies respect the rights of local and indigenous communities on the fair and equal use of forests.	No	No
6	Companies prevent deforestation and protect natural forests including old growth forests, bogs, mangroves and rainforests, as described in the High Conservation Value (HCV) concept.	No	No
7	Companies identify and protect High Carbon Stock (HCS) forests.	No	No
8	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.	No	No
9	Companies prevent negative impact on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN).	No	No
10	Companies prevent negative consequences for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.	No	No
11	Production of oil palm fruit is certified according to the principles and criteria of the RSPO Certification.	No	No
12	Production and trade of palm oil is certified according the RSPO Supply Chain Certification Standard.	No	No
13	Production of oil palm fruit is certified according the principles and criteria of RSPO NEXT.	No	No
14	Companies publish a sustainability report that may contain (a number of) Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.	Yes	Yes

	Assessment element	Legal & General policy for investments own account (yes/no)	Legal & General policy for asset management (yes/no)
15	Large enterprises and multinational enterprises in the food industry publish a sustainability report that is set up in accordance with the GRI G4 Sustainability Reporting Guidelines, which includes the Food Processing Sector Disclosure (FSSD).	No	No
16	Companies integrate social, economic and environmental criteria in their procurement and operational policies.	No	No
17	Companies include clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors and suppliers.	No	No

3.8.2 Palm oil company investments

This research found that Legal & General held shares in nine of the selected palm oil companies in the period 2013-2016. Table 32 provides an overview of the identified shareholdings.

Table 32 Legal & General shareholdings in selected palm oil companies (2013-2016)

Group	2016		2015		2014		2013	
	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)
Astra Agro Lestari	0.01%	0.3	0.01%	0.3	0.01%	0.4	0.01%	0.3
Equatorial Palm Oil	3.28%	0.6	3.28%	0.9	3.15%	1.6	2.75%	0.8
Golden Agri Resources	0.02%	0.8	0.02%	0.8	0.02%	1.1	0.02%	1.2
Indofood Agri Resources	0.00%	0.0	0.01%	0.1	0.01%	0.1	0.01%	0.1
Indofood Sukses Makmur	0.02%	1.3	0.02%	1.0	0.03%	1.4	0.03%	1.5
IOI Group	0.04%	3.1	0.05%	3.2	0.05%	4.5	0.05%	5.0
Kuala Lumpur Kepong	0.04%	2.5	0.04%	2.5	0.04%	3.1	0.04%	3.0
Noble Group	0.02%	0.4	0.03%	0.9	0.03%	1.7	0.03%	1.5
Wilmar	0.01%	2.1	0.01%	2.0	0.01%	2.2	0.01%	2.4
Total		**11.0**		**11.7**		**16.1**		**16.0**

Source: Thomson EIKON (2017, January), "Shareholdings: Astra Agro Lestari, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Equatorial Palm Oil, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Golden Agri Resources, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Indofood Agri Resources, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Indofood Sukses Makmur, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings IOI Corp, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Kuala Lumpur Kepong, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Noble Group Ltd, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Wilmar, 2012-2016", viewed in January 2017.

This research found that Legal & General had invested in bonds issued by one of the selected palm oil companies. Table 33 provides an overview of the identified shareholdings.

Table 33 Legal & General investments in bonds issued by selected palm oil companies (2017 January, most recent filing)

Group	Filing date	% of outstanding bonds	Value (USD mln)	Source
Noble Group	09/30/2016	0.51	3.6	[191]
Total		**0.51**	**3.6**	

Source: Thomson EMAXX (2017, January), "Bondholdings", viewed in January 2017.

3.8.3 Scores for implementation

Legal & General did not answer the questions in the questionnaire about her approach to screening, voting, engagement, exclusion or commitments in relation to land grabs and deforestation. Legal & General also did not provide any examples or evidence regarding screening, voting, engagement or exclusion. For this reason, no scores can be granted in Table 34.

Table 34 Scores for implementation

Assessment questions	Points
Screening *Screening refers to the practice of checking whether an investee company complies with the policies on deforestation and land grabs of a financial institution, prior to and during investment.*	0 of 9
Voting *Financial institutions can file resolutions or motions, or vote on resolutions or motions, to support improvement on ESG performance on deforestation and land grabs.*	0 of 6
Engagement *Financial institutions can start a dialogue with companies concerning their practices and policies on deforestation and land grabs, to achieve improvement*	0 of 14
Exclusion *If investee companies do not meet the criteria set by financial institutions, or do not improve their practices, the choice to exclude such companies from investment can be made*	0 of 8
Commitments *Financial institutions can formulate official commitments to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously*	0 of 1
Total score	**1 of 10**

3.8.4 Analysis

Legal & General has very limited responsible investment policies that are relevant for the topics of deforestation and land grabs. As Legal & General did not share any information during the research process, and did not answer the questions in the questionnaire, no analysis is possible.

3.9 NN Group

NN Group N.V. (NN Group) is an insurance and asset management group, based in the Netherlands, and active in more than 18 countries, with a focus on a number of European countries and Japan.[192] NN Group was formerly part of the ING group and was listed on the Euronext Amsterdam in 2014.[193] Through the listing, ING's stake in NN Group was reduced to 68.1 percent and in May 2015 ING's stake was reduced to 42.4 percent.[194] In April 2016, ING completed its divestment of NN Group.[195]

NN Group provides pensions, life insurance, non-life insurance, banking and asset management services to over 15 million customers, ranging from individuals, SMEs, corporates to institutional investors.[196] The banking activities are provided by NN Bank, a Dutch retail bank.[197] NN group operates under the brand names NN, Nationale-Nederlanden and NN Investment Partners.[198] During the financial year 2015, NN Group had on average 11,561 employees worldwide (full time equivalent basis) and 6,463 employees in the Netherlands.[199] The total turnover of NN Group over the financial year 2015 amounted to € 14.0 billion of which € 2.0 billion originated from Life and Non-Life Insurance business in the Netherlands.[200] At the end of December 2015, NN Group's gross premium income totalled € 9.2 billion, of which € 2.9 billion originated from the Netherlands.[201] Customer deposits amounted to € 8.0 billion, of which € 4.2 billion in savings, all originated from the Netherlands.[202]

3.9.1 Relevant investment policies

In the Fair Finance Guide methodology, the assessment elements in Table 35 are deemed relevant for this case study. The scores from the 2016 Fair Insurance Guide policy update are not used, as the purpose of this section is only to illustrate whether NN Group has a sufficient policy for the relevant assessment elements, not to grant a policy score as such. For this reason only a 'yes' or a 'no' has been used.

Table 35 Policy assessment elements in NN Group policies

	Assessment element	NN Group policy for investments own account (yes/no)	NN Group policy for asset management (yes/no)
1	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.	Yes	Yes
2	Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.	Yes	Yes
3	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.	Yes	Yes
4	Companies have a policy commitment to differentiate the human rights risks faced by women and men.	Yes	Yes
5	Companies respect the rights of local and indigenous communities on the fair and equal use of forests.	Yes	Yes
6	Companies prevent deforestation and protect natural forests including old growth forests, bogs, mangroves and rainforests, as described in the High Conservation Value (HCV) concept.	No	No
7	Companies identify and protect High Carbon Stock (HCS) forests.	No	No
8	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.	No	No
9	Companies prevent negative impact on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN).	No	No
10	Companies prevent negative consequences for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.	No	No

	Assessment element	NN Group policy for investments own account (yes/no)	NN Group policy for asset management (yes/no)
11	Production of oil palm fruit is certified according to the principles and criteria of the RSPO Certification.	No	No
12	Production and trade of palm oil is certified according the RSPO Supply Chain Certification Standard.	No	No
13	Production of oil palm fruit is certified according the principles and criteria of RSPO NEXT.	No	No
14	Companies publish a sustainability report that may contain (a number of) Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.	Yes	Yes
15	Large enterprises and multinational enterprises in the food industry publish a sustainability report that is set up in accordance with the GRI G4 Sustainability Reporting Guidelines, which includes the Food Processing Sector Disclosure (FSSD).	No	No
16	Companies integrate social, economic and environmental criteria in their procurement and operational policies.	No	No
17	Companies include clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors and suppliers.	No	No

3.9.2 Palm oil company investments

This research found that NN Group held shares in six of the selected palm oil companies in the period 2013-2016. Table 36 provides an overview of the identified shareholdings.

Table 36 NN Group shareholdings in selected palm oil companies (2013-2016)

Group	2016		2015		2014		2013	
	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)
First Resources	0.28%	6.0	0.42%	9.1	0.25%	6.1	-	-
Indofood Sukses Makmur	0.16%	7.6	0.29%	11.2	0.22%	11.2	0.15%	8.2
IOI Group	-	-	0.02%	1.4	0.03%	2.6	0.07%	6.7
Kuala Lumpur Kepong	-	-	-	-	-	0.1	0.00%	0.1
Noble Group	-	-	-	-	-	0.1	0.00%	0.1
Wilmar	0.15%	23.0	0.15%	23.0	0.18%	31.4	0.21%	34.0
Total		**36.7**		**44.7**		**51.6**		**49.1**

SourceThomson EIKON (2017, January), "Shareholdings: First Resources, 2012-2016", viewed in January 2017Thomson EIKON (2017, January), "Shareholdings: Indofood Sukses Makmur, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings IOI Corp, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Kuala Lumpur Kepong, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Noble Group Ltd, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Wilmar, 2012-2016", viewed in January 2017.

This research found that NN Group had invested in bonds issued by one of the selected palm oil companies. Table 37 provides an overview of the identified bond holdings.

Table 37 NN Group investments in bonds issued by selected palm oil companies (2017 January, most recent filing)

Group	Filing date	% of outstanding bonds	Value (USD mln)	Source
Noble Group	09/30/2015	0.19	2.3	[203]
Total		**0.19**	**2.3**	

3.9.3 Scores for implementation

In Table 38 the scores for NN Group are presented, based on the answers provided by NN Group to a questionnaire on five topics regarding the implementation of its responsible investment policies. NN Group provided detailed answers to the questions in the questionnaire, as well as some evidence and examples to illustrate NN Group's approach regarding screening, voting, engagement and exclusion.

Table 38 Scores for implementation

Assessment questions	Points
Screening *Screening refers to the practice of checking whether an investee company complies with the policies on deforestation and land grabs of a financial institution, prior to and during investment.*	6 of 9
Voting *Financial institutions can file resolutions or motions, or vote on resolutions or motions, to support improvement on ESG performance on deforestation and land grabs.*	0 of 6

Assessment questions	Points
Engagement *Financial institutions can start a dialogue with companies concerning their practices and policies on deforestation and land grabs, to achieve improvement.*	8 of 14
Exclusion *If investee companies do not meet the criteria set by financial institutions, or do not improve their practices, the choice to exclude such companies from investment can be made.*	5 of 8
Commitments *Financial institutions can formulate official commitments to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously.*	0 of 1
Total score	**5 of 10**

3.9.4 Analysis

Based on the answers provided by NN Group in the questionnaire and the subsequent scores, the following analysis can be made of the five different parts of the assessment.

- **Screening**

  NN Group states that screening is conducted structurally and illustrates with examples that ESG criteria are also structurally incorporated into the financial analysis of a company. This includes controversy scans. Deforestation and risks to biodiversity in the entire supply chain are part of the screening. This is also the case with land rights, FPIC policies and taking into account any community opposition. Screening covers whether a company has an environmental policy in place, as well as whether companies have commitments to No Peat, No Fire, No Deforestation and No Exploitation (NPFDE). Screening also takes into account whether companies set targets for improvement, regarding biodiversity and environmental risks. On land grabs NN Group states: "Policy commitments to land grabs are generally covered as part of the Human rights policy indicator [...]." The screening includes the supply chain of palm oil companies and for RSPO criteria this includes third-party suppliers. NN Group shared sufficient documents with the researchers to illustrate their approach.

  NN Group indicates that a lack of adequate policies would not automatically be a reason not to invest in a palm oil company. NN Group considers ESG issues along with other factors: "Key when integrating ESG factors into an investment analysis is to focus on materiality (i.e. factors that are likely to have a material impact on the longer-term sustainability of a company's business model and its share price performance)." NN Group cannot confirm that screening is conducted in the same way for all financing, although NN Group has stated that it has made the content of responsible investment policies a more structural part in the selection process of asset managers.

- **Voting**

  NN Group did not file or put forth motions or resolutions regarding land grabs or deforestation. NN Group states: "NN IP votes on resolutions put forward by shareholders. These resolutions focus on environmental, social and governance issues. We generally support shareholder resolutions related to environmental and social matters in a large number of cases. We voted against (or abstain from voting) when these resolutions seek additional data or policies without providing proportionate benefits to shareholders."

NN Group shared information that illustrates that NN Group has supported resolutions aimed at improving practices in terms of human rights violations and environmental impacts, however the link with deforestation and land grabs in the palm oil sector was insufficiently clear.

- **Engagement**

  NN Group states that engagement is conducted on a structural basis. "In case of a negative score resulting from screening and/or serious controversies, the analyst formulates questions for engagement and takes up contact with the company. The dialogue and engagement are therefore embedded in the investment process at an early stage. We are an active investor so there is regular contact with the investee companies. Additionally, we choose to combine engagement efforts with other investors, such as Eumedion or UN PRI. We prioritise engagements based on amongst other materiality of the issue and our exposure."

  In 2016 engagement was conducted with Golden Agri Resources in Indonesia. The objective of the engagement was to assess where the company stands on sustainability and other ESG issues such as: deforestation, GHG emissions, fire prevention, indigenous rights violations, biodiversity loss, water use and extreme weather events. NN Group also shared the example of a PRI Palm Oil Investor trip to Indonesia. The objective of the engagement was to "experience first-hand what progress has been made on numerous ESG issues in this industry." Information about this trip is provided in a published report.

  NN Group states that it evaluates whether companies have adequate policies or take preventive measures on relevant issues, such as RSPO certification. The evidence provided by NN Group illustrates under what circumstances engagement is considered successful or not successful for one palm oil company. Evaluation of engagements differ per company, according to NN Group.

- **Exclusion**

  NN Group has excluded one palm oil company and its subsidiaries from investments with proprietary assets. NN Group explains that exclusion can apply to companies that structurally breach global standards of good corporate governance.

  NN Group writes that exclusion can be decided upon "[...] because of a specific rating or controversy level, or because of unsuccessful engagement. The latter is the preferred approach for the Proprietary Assets exclusion list (i.e. we first aim to engage in a dialogue with companies - exclusion only as a last resort)." Furthermore, in 2016 NN Group states that it had a meeting with representatives of a palm oil company that are related to the company on their restricted list, with the objective of receiving an update on ESG improvements: “Although several improvements were noted, we concluded that the ESG standards have not been raised sufficiently and that all issues are in the past. We concluded to keep the restriction." The statement is supported with evidence of this exclusion.

- **Commitments**

  NN Group has not drafted an official commitment during this study, to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously.

  NN Group did indicate at the end of the research period that NN Investment Partners intends to pay extra attention to the issues in this case study in 2017 by starting a dialogue with some companies. NN Group is preparing a trip to Malaysia to meet with palm oil producers.

- **Conclusion**

  NN Group invests in several palm oil companies selected in this case study. In the last four years (2013 - 2016), the research findings show NN Group stopped investing in the shares of IOI Group, KLK and Noble Group. In 2016, NN Group invested over USD 36 million in the shares of First Resources, Indofood Sukses Makmur and Wilmar. NN Group also invests USD 2.3 million in bonds issued by Noble Group.

  NN Group has explained that screening is conducted on a structural basis and includes deforestation, biodiversity and human rights risks, throughout the supply chain.

  NN Group shared information about engagement related to the issues of deforestation and land grabs in the palm oil sector. This includes engagement in 2016 with Golden Agri Resources in Indonesia. With information to substantiate their answers, NN Group states that engagement focuses on issues such as: deforestation, GHG emissions, fire prevention, indigenous rights violations, FPIC, biodiversity loss, water use and extreme weather events. NN Group prioritises engagements based on, amongst others, materiality of the issue and their exposure.

  In terms of exclusion, supporting information was provided to the researchers to show that a palm oil company has been excluded for relevant reasons. For NN Group, exclusion is used as a last resort, if engagement does not have the desired effect. Exclusion is reviewed on a semi-annual basis.

  NN Group does have some responsible investment policies that are relevant for the topics of deforestation and land grabs as shown in section 3.9.1, especially in terms of human rights. The points granted in this case study reflect these policies.

  NN Group did not make any commitment to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously. The total score for screening, voting, engagement and exclusion is 5.

3.10 Vivat Verzekeringen

Vivat N.V. (Vivat) is a Dutch insurance and asset management group, providing pension, savings, life and non-life insurance, roadside assistance and asset management services.[204] Vivat Verzekeringen is the trade name of Vivat.[205] Vivat is operating in the Netherlands and is fully owned by the Chinese Anbang Group.[206] Vivat owns the brands of Zwitserleven, Zelf, Route Mobiel, Reaal, Proteq Dier & Zorg and ACTIAM (asset management).[207] At the end of December 2015, Vivat employed 3,113 employees, equivalent to 3,006 FTE (full-time equivalent).[208] Total gross premium income over the financial year 2015 amounted to € 2.4 billion.[209] Total income amounted to € 6.5 billion over 2015.[210]

3.10.1 Relevant investment policies

In the Fair Finance Guide methodology, the assessment elements in Table 39 are deemed relevant for this case study. The scores from the 2016 Fair Insurance Guide policy update are not used, as the purpose of this section is only to illustrate whether Vivat has a sufficient policy for the relevant assessment elements, not to grant a policy score as such. For this reason only a 'yes' or a 'no' has been used.

Table 39 Policy assessment elements in Vivat policies

	Assessment element	Vivat policy for investments own account (yes/no)	Vivat policy for asset management (yes/no)
1	Companies respect all human rights as described in the United Nations Guiding Principles on Business and Human Rights.	Yes	Yes
2	Companies prevent conflicts over land rights and acquire natural resources only by engaging in serious consultation with local communities and obtaining free, prior and informed consent (FPIC) when it concerns indigenous peoples.	Yes	Yes
3	Companies prevent conflict over land rights and acquire natural resources only with free, prior and informed consent (FPIC) of the land users involved.	Yes	Yes
4	Companies have a policy commitment to differentiate the human rights risks faced by women and men.	No	No
5	Companies respect the rights of local and indigenous communities on the fair and equal use of forests.	Yes	Yes
6	Companies prevent deforestation and protect natural forests including old growth forests, bogs, mangroves and rainforests, as described in the High Conservation Value (HCV) concept.	Yes	Yes
7	Companies identify and protect High Carbon Stock (HCS) forests.	Yes	Yes
8	Conversion of peatland and high-carbon stocks for agricultural development is unacceptable.	No	No
9	Companies prevent negative impact on protected areas that fall under the categories I-IV of the International Union for Conservation of Nature (IUCN).	Yes	Yes
10	Companies prevent negative consequences for the populations or the number of animal species that are on the IUCN Red List of Threatened Species.	Yes	Yes
11	Production of oil palm fruit is certified according to the principles and criteria of the RSPO Certification.	Yes	Yes
12	Production and trade of palm oil is certified according the RSPO Supply Chain Certification Standard.	No	No

	Assessment element	Vivat policy for investments own account (yes/no)	Vivat policy for asset management (yes/no)
13	Production of oil palm fruit is certified according the principles and criteria of RSPO NEXT.	No	No
14	Companies publish a sustainability report that may contain (a number of) Standard Disclosures from the GRI G4 Sustainability Reporting Guidelines.	Yes	Yes
15	Large enterprises and multinational enterprises in the food industry publish a sustainability report that is set up in accordance with the GRI G4 Sustainability Reporting Guidelines, which includes the Food Processing Sector Disclosure (FSSD).	Yes	Yes
16	Companies integrate social, economic and environmental criteria in their procurement and operational policies.	Yes	Yes
17	Companies include clauses on the compliance with social, economic and environmental criteria in their contracts with subcontractors and suppliers.	Yes	Yes

3.10.2 Palm oil company investments

This research found that Vivat held shares in three of the selected palm oil companies. Table 40 provides an overview of the identified shareholdings.

Table 40 Vivat shareholdings in selected palm oil companies (2013-2016)

Group	2016		2015		2014		2013	
	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)	% of shares	Value (USD mln)
Golden Agri Resources	0.00%	0.1	0.00%	0.005	0.00%	0.01	0.00%	0.001
Noble Group	0.01%	0.1	0.00%	0.005	0.00%	0.01	0.00%	0.001
Wilmar	0.00%	0.3	0.00%	0.01	0.00%	0.2	0.00%	0.2
Total		**0.4**		**0.02**		**0.2**		**0.3**

Source: Thomson EIKON (2017, January), "Shareholdings: Golden Agri Resources, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Noble Group Ltd, 2012-2016", viewed in January 2017; Thomson EIKON (2017, January), "Shareholdings: Wilmar, 2012-2016", viewed in January 2017.

This research did not identify any investments by Vivat in the bonds issued by the selected companies.

3.10.3 Scores for implementation

In Table 41 the scores for Vivat are presented, based on the answers provided by Vivat to a questionnaire on five topics regarding the implementation of its responsible investment policies. Vivat shared a substantial amount of information with the researchers, which has provided detailed insight into how Vivat conducts screening, voting, engagement and exclusion.

Table 41 Scores for implementation

Assessment questions	Points
Screening *Screening refers to the practice of checking whether an investee company complies with the policies on deforestation and land grabs of a financial institution, prior to and during investment.*	9 of 9
Voting *Financial institutions can file resolutions or motions, or vote on resolutions or motions, to support improvement on ESG performance on deforestation and land grabs.*	5 of 6
Engagement *Financial institutions can start a dialogue with companies concerning their practices and policies on deforestation and land grabs, to achieve improvement.*	14 of 14
Exclusion *If investee companies do not meet the criteria set by financial institutions, or do not improve their practices, the choice to exclude such companies from investment can be made.*	6 of 6
Commitments *Financial institutions can formulate official commitments to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously.*	1 of 1
Total score	**10 of 10**

3.10.4 Analysis

Based on the answers provided by Vivat in the questionnaire and the subsequent scores, the following analysis can be made of the five different parts of the assessment.

- **Screening**

  Vivat has shared the process that is used to screen Vivat's investment universe. Screening is conducted every quarter for existing investments and for all new investment. Sources shared illustrate how different companies are screened on issues related to land grabs and deforestation. Vivat states that all companies are subject to UN Global Compact controversy screening, as well as additional screening.

  Information shared shows that screening takes into account whether palm oil companies have policies on human rights, indigenous communities, sustainable land and natural resource management, amongst other topics. It is shown that screening also includes preventive measures taken by palm oil companies, such as: requiring FPIC, the use of fire, mapping HCV and HCS forests, incorporating ESG standards in the supply chain and increasing traceability of palm oil.

Furthermore, Vivat states: "The circumstances around the production of crude palm oil at a companies' suppliers are an important element of the screening process. Supplier standards, supplier audits and supply management all are part of the screening." This is also evident from the sources and examples provided by Vivat.

Vivat states that screening is applicable to all assets under management. Furthermore, Vivat states it will exclude companies if engagement is unsuccessful - such as with IOI - as a last resort. This is corroborated by the exclusion list and other sources provided to researchers.

- **Voting**

  Regarding voting, Vivat states that there was no option to file or co-file a motion in the research period for the palm oil companies in question, or for other relevant companies on the issues discussed in this study. However, Vivat explains that there were three relevant shareholder proposals in the past two years in relation to preventing deforestation at other companies. Vivat shared information that shows that Vivat voted 'for' on all of these proposals (Bunge in 2015, Du Pont in 2016, Kraft foods in 2015).

- **Engagement**

  According to Vivat, a violation of Vivat's policies on deforestation and land grabs will always lead to an engagement process. The evidence shared by Vivat illustrates that this is the case.

  The engagement documents shared with researchers make clear that Vivat focusses on certain issues when starting a dialogue with palm oil companies. In addition to individual engagement, Vivat has "a seat in the PRI engagement on Palm oil and will be part of the new PRI Engagement initiative on Deforestation".

  Vivat considers engagement to be unsuccessful when not enough progress is made by companies to improve their practices. In the worst case scenario, a company is excluded. This is illustrated with the example of IOI. Successful engagement processes are visible in information on ongoing engagements and ratings that show improvement. Vivat uses specific questions to measure whether progress is made or not. This progress is evaluated every quarter. Documents shared illustrate ongoing engagement. A scorecard has been developed to track the progress companies have made on the set objectives. The scorecard illustrates that Vivat checks progress on the implementation of commitments by palm oil companies. This includes the relevant issues related to deforestation and palm oil as described in the methodology of this case study.

  An engagement is concluded when all objectives are met, or when Vivat feels that no progress is being made and therefore the company will be excluded from the investment universe.

- **Exclusion**

  Vivat shared information that explains on what grounds and under what circumstances two palm oil companies have been excluded from investment, due to amongst others, issues related to deforestation, violating human rights and social conflict. The companies are IOI Corporation Berhad and Kuala Lumpur Kepong. The decision to exclude is evaluated every quarter, when screening is also conducted.

- **Commitments**

  Vivat has formulated the following commitment: "We already use all instruments (screening, engagement, voting and exclusion) but as we will broaden and deepen the scope of our no-deforestation activities and related partnerships (like FSC and ZSL) the amount of engagements will increase in the coming years". Vivat has also stated in e-mail correspondence: "ACTIAM is planning to start a new collaborative engagement initiative on deforestation this year, next to the already existing initiative on palm oil. We will also be part of the steering committee of that engagement initiative. In addition, we will look for more ways to give insight into our engagements.".

- **Conclusion**

  Vivat has substantial responsible investment policies to address the risks of deforestation and land grabs, as shown in section 3.10.1 This research has identified investments in three of the selected palm oil companies. Vivat shared various documents to substantiate the answers provided in the questionnaire and illustrate how Vivat's approach to screening, voting, engagement and exclusion works. The documents provide a detailed insight in Vivat's responsible investment practices and illustrate the efforts taken to implement Vivat's policies.

  Vivat screens its entire investment universe every quarter. Screening includes relevant issues related to deforestation and land grabs in the palm oil sector. Screening takes into account the supply chain and will lead to exclusion in certain cases. The information provided to researchers regarding Vivat's engagement approach illustrate that Vivat conducts ongoing engagements, on several important issues to prevent deforestation and land grabs. Engagement objectives are made clear and time-bound targets are set for improvement. Vivat has excluded two palm oil companies due to either deforestation or human rights violations. Exclusion is reviewed every quarter.

  The total score for the sections on screening, voting, engagement and exclusion is 10 points. One point is added, as Vivat has committed to intensify the use of instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously. It is not possible to score higher than 10, therefore the total score for Vivat is 10.

Chapter 4 Overview of results and conclusions

This chapter presents an overview of the scores for each part of the case study, along with an analysis of the results. The objective of the research conducted in this case study, is to determine whether the ten largest insurance groups active in the Netherlands are responding to the risks of deforestation and land grabs in regards to palm oil companies. Furthermore, the research aims to identify in what way this response is structured and how it is carried out. Chapter 5 presents recommendations from the Fair Insurance Guide to the insurance groups on how to improve their strategies of addressing deforestation and palm oil risks in relation to the companies that they finance.

4.1 Analysis of results per section

In the following sections, the results of the research for all insurance groups are discussed as a whole. The chapter pays attention to the separate sections that the insurance groups receive scores for and makes comparisons between the insurance groups. This includes analyses of what insurance groups consider important issues within the discussion on land grabs and deforestation, as well as in what way they address these issues. Section 4.1 discusses the findings regarding screening, voting, engagement and exclusion, as well as the commitments made and the cooperation of the insurance groups with this case study. Section 4.2 presents an overview of the final scores of all insurance groups.

4.1.1 Cooperation with the case study

The assessed insurance groups responded and cooperated in varying degrees to this case study. All insurance groups, with the exception of Generali, responded to the research at a certain stage. Legal & General and Generali did not fill in the questionnaire and did not provide any insight into their responsible investment approach and therefore do not receive any points. Allianz did not provide any documents to substantiate the answers provided and therefore does not receive any points either. No investments were identified for ASR in any of the selected palm oil companies, which is why ASR is scored as 'not active' (n.a.). ASR is not discussed in the analyses in this chapter.

Achmea, Aegon, APG, Delta Lloyd, NN Group and Vivat all responded to the questionnaire and also provided varying amounts of evidence to support their statements. In many cases, insurance groups responded to the questionnaire by answering the research questions without providing sufficient documents to verify their statements. In these cases, the answers provided by the insurance groups are described in Chapter 3 but are not reflected in their scores. Points are only granted for a combination of answers and supporting evidence or examples.

Transparency forms a hurdle for the research, as it appears to be a problem for some insurance groups to provide researchers with the necessary insight, in part due to confidentiality issues, while other insurance groups are transparent. This shows that transparency is possible and without it, it is not possible to achieve accountability.

4.1.2 Screening

Table 42 shows how many points each insurance group received for the questions on screening.

Table 42 Points for screening

	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	Legal & General	NN Group	Vivat
Score	5 of 9	6 of 9	0 of 9	1 of 9	n.a.	2 of 9	0 of 9	0 of 9	6 of 9	9 of 9

All insurance groups that responded to the survey questions and were able to illustrate how their screening process worked with documentation, scored points for screening.

Achmea, Aegon, APG, Delta Lloyd, NN Group and Vivat all illustrated that they conduct screening.

For most insurance groups, screening follows a procedure where an initial screening is conducted to identify controversies or breaches of standards such as the UN Global Compact principles. If a company fails this screening, further screening can be carried out that goes into more detail. This usually involves collecting information on controversies, commitments and policies of the palm oil company in question. The company is then assigned a certain status, to indicate the level of risk or determining whether engagement should be conducted or whether a company should be excluded.

Only some of the insurance groups consider excluding a palm oil company that has a negative screening outcome from all financing. Vivat Verzekeringen has in the past pre-emptively excluded palm oil companies, whereas Achmea chooses to engage before exclusion is considered. APG, also may choose not to invest in a company if screening shows high ESG risks without the expectation that a company will be susceptible to improvement through engagement. Delta Lloyd applies strict screening, with the possibility of exclusion, to its ESG funds.

It is also interesting that several palm oil companies that have been involved in serious controversies, including several companies described in section Table 3, do not necessarily fail certain initial screening procedures at some insurance groups, such as Aegon and Delta Lloyd. Instead, these companies are highlighted on a watch list. This means that there are reasons for concern, but that these reasons are not severe enough that a palm oil company is found to really breach a set of principles and is marked for engagement. It is not clear what, if anything, happens to companies that are placed on the watch list. The screening approach indicates that the threshold for some insurance groups to identify serious controversies is too high and therefore the screening criteria are too weak, subsequently palm oil companies are not considered controversial soon enough. However, other insurance groups that screen on both UN Global Compact related controversies as well as using their own investment principles as a benchmark, set the bar higher.

4.1.3 Voting

Table 43 shows how many points each insurance group received for the two questions on voting.

Table 43 Points for voting

	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	Legal & General	NN Group	Vivat
Score	0 of 6	0 of 6	0 of 6	5 of 6	n.a.	0 of 6	0 of 6	0 of 6	0 of 6	5 of 6

The questions on voting concerned both the filing of resolutions and motions, as well as casting a vote. It is interesting to note that none of the insurance groups filed a motion or resolution regarding deforestation or land grabs in the palm oil sector.

Two insurance groups, Vivat and APG, were able to illustrate that they had voted for relevant resolutions at the annual shareholder meetings of multiple consumer goods companies in the palm oil value chain, aimed at addressing the risks of deforestation, reducing the impacts of palm oil sourcing and the adoption of a responsible palm oil sourcing policy.

The other insurance groups either did not vote at all, did not vote for relevant proposals, or did not share any information about their votes with researchers.

Several insurance groups state that the threshold to file a motion or resolution, or to vote, is too high in terms of financial costs or time required. While some stock exchanges have strict rules that can be considered a hurdle, not all companies in the palm oil value chain that can substantially influence the palm oil industry, are listed at these stock exchanges. It is possible to vote at other shareholder meetings of companies such as palm oil traders, or large consumer goods producer companies.

4.1.4 Engagement

Table 44 shows how many points each insurance group received for the questions on engagement.

Table 44 Points for engagement

	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	Legal & General	NN Group	Vivat
Score	14 of 14	0 of 14	0 of 14	2 of 14	n.a.	0 of 14	0 of 14	0 of 14	8 of 14	14 of 14

For engagement, two insurance groups, Vivat and Achmea, scored full points. NN Group and APG also demonstrably conducted engagements on the issues addressed in this case study. Allianz and Delta Lloyd did not share any information regarding possible engagements. Aegon states that it will start participating in a PRI engagement on deforestation in the near future.

Engagement topics are varied but in general focus on the following issues:

- Preventing deforestation;
- Fire prevention;
- Preventing peat clearance;
- Addressing community conflicts and FPIC;
- The rights of indigenous communities;
- (Third-party) suppliers of palm oil companies;
- RSPO certification;
- The policies of palm oil companies; and
- Improvement of traceability.

Engagement procedures with palm oil companies are often a consequence of severe controversies regarding the company in question, related to the issues listed above. These controversies are usually brought to the attention of the insurance groups during screening procedures. Engagement is therefore often reactive and not necessarily aimed at pro-actively addressing risks. However, the insurance groups that provided substantial insight into their engagements of the past years, Achmea and Vivat, do engage pro-actively with companies in the palm oil sector, from palm oil companies to commodity traders and consumer goods producers. This engagement does not necessarily start due to a controversy or a violation of policy, but takes into account that there are still severe risks in the palm oil industry, which should be addressed now and in the future.

There are clear differences between the insurance groups in terms of what insurance groups expect of palm oil companies during engagement. Whereas some insurance groups are critical and ask clear commitments, others take a more passive stance, without requesting time-bound targets for improvement. Engagement in the latter cases appears to be exploratory and not aimed at voicing expectations within a set timeframe, including consequences if no progress is made.

It is also interesting to note that several insurance groups engaged not only with palm oil companies on the topics of deforestation and land grabs, but also with other companies, such as large consumer goods companies that use vast amounts of palm oil.

The information provided by the financial institutions does show that in several cases companies are quite responsive to pressure from investors, applied through engagement, although more research would be necessary to confirm that this is the case. Clear targets and expectations for the engagement appear to be important in this regard, as this then forms the future focus of the dialogue and structures the process in terms of expectations from the investors.

4.1.5 Exclusion

Table 45 shows how many points each insurance group received for the questions on exclusion.

Table 45 Points for exclusion

	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	Legal & General	NN Group	Vivat
Score	4 of 8	0 of 8	0 of 8	0 of 8	n.a.	4 of 6	0 of 8	0 of 8	5 of 8	6 of 6

Four insurance groups, Achmea, Delta Lloyd, NN Group and Vivat, clearly illustrated what their approach is to the possible exclusion of palm oil companies.

The insurance groups that do consider or use exclusion will usually engage with a company before ultimately deciding to exclude a company from investment and review exclusions periodically, to assess whether sufficient improvements have been made.

Vivat, NN Group and Delta Lloyd have excluded palm oil companies for some of the following reasons:

- Land abuse;
- Child labour;
- Social conflict;
- Violation of human rights;
- Deforestation;
- Breach of UN Global Compact principles;
- A low ESG score related to unspecified controversies; or

- Reason not specified.

The reasons for exclusion often relate directly to human rights problems, such as land grabs, conflict with indigenous communities or other types of human rights violations. Only once is deforestation mentioned as a primary reason for exclusion.

For some insurance groups, the total number of possible points for this section was 6 instead of 8. Question 11 c could be set to not applicable for insurance groups that excluded palm oil companies prior to engagement. This difference does not influence the overall score.

4.1.6 Commitments

Only Vivat Verzekeringen formulated clear commitments during the research period, to increase the amount of engagements with companies on the issue of deforestation and also to provide more insight into Vivat's engagement approach. The other eight insurance groups in this case study did not formulate official commitments during the research period to improve their responsible investment practices regarding deforestation and land grabs in the palm oil sector.

4.2 Total scores for all insurance groups

Table 46 provides an overview of all the scores granted for each specific section, including the total score per insurance group. The total points possible per section is shown in the first column. From the scores presented in Table 46, the following points stand out:

- Apart from Allianz, Generali and Legal & General, all insurance groups scored points for screening;
- Only APG and Vivat received points for voting;
- Achmea, Vivat, APG and NN Group all received points for engagement, the other insurance groups did not;
- Achmea, Delta Lloyd, NN Group and Vivat received points for their exclusion processes; and
- Only Vivat formulated a commitment to use more instruments to prevent the provision of services to palm oil companies that take their responsibility to prevent land grabs and deforestation insufficiently seriously.

Table 46 Total scores

	Achmea	Aegon	Allianz	APG	ASR	Delta Lloyd	Generali	Legal & General	NN Group	Vivat
Screening (9 points)	5	6	0	1	n.a.	2	0	0	6	9
Voting (6 points)	0	0	0	5	n.a.	0	0	0	0	5
Engagement (14 points)	14	0	0	2	n.a.	0	0	0	8	14
Exclusion (8 points)	4	0	0	0	n.a.	4*	0	0	5	6*
Commitment (1 point)	0	0	0	0	n.a.	0	0	0	0	1
Total	**6**	**2**	**1**	**2**	**n.a.**	**2**	**1**	**1**	**5**	**10**

*For question 11 c) in the exclusion section, it is possible to receive a 'not applicable' score, meaning the total score possible is 6 and not 8 points for Delta Lloyd and Vivat.

A maximum of 37 points was possible for questions 1 to 11d). The score for each section is determined by adding up the elements that have been complied with and dividing this by the total applicable number. The combined score for screening, voting, engagement and exclusion is the sum of points for screening, voting, engagement and exclusion divided by 3,7. This number was chosen in order to grant a score with a maximum of 10. If the sum of points is 0, a score of 1 will be given. In case of an n.a. score for question 11 c, the total possible score for the exclusion section will be 6 points. The formula for the total score will be adjusted based on this maximum.

A bonus point can be granted for a commitment, on top of the score for questions 1 to 11 d). If a financial institution has already scored a 10 for questions 1 to 11 d) and is also granted a point for the bonus question, the score will remain a 10. It is not possible to score higher than a 10. The bonus question is described in Table 8 in the methodology.

4.2.1 Concluding analysis

In conclusion, the insurance groups that participated in this research by providing both written answers and supporting information, all appear to be aware of most of the different issues that are important when addressing deforestation and land grabs in relation to palm oil, as described in section 1.3. Generali did not respond to any communication, Legal and General did not fill in the questionnaire. Allianz did cooperate, but did not share any internal documents to provide insight into its approach and could not receive any points for this reason. ASR was labelled as 'not active' as no investments in the selected palm oil companies were identified for ASR.

All active respondents, Achmea, Aegon, APG, Delta Lloyd, NN Group and Vivat, state that they conduct screening. This ranges from a controversy scan that is done once a year, to quarterly screenings. The topics that palm oil companies are screened on also vary, from violations of UN Global Compact principles, to including checks on whether a company has sufficient policies in place to address the risks in its operations and supply chain. Most insurance groups score more points for screening than for the other activities. Vivat scores 9 out of 9 points for screening. Aegon and NN Group receive 6 out of 9 points, Achmea also scores relatively well, receiving 5 points.

Screening can be improved in many cases, by setting the threshold lower for what is considered a controversy or a breach of policy. Furthermore, screening in many cases is reactive; only identifying companies in the investment portfolio that have been involved in a controversy before any other screening is done. Controversy screening, such as checking for breaches of UN Global Compact principles, does not adequately take into account the preparedness of palm oil companies to avoid the risks of deforestation and land grabs, for example by having sufficient policies or by applying other preventive measures.

Only two insurance groups shared information showing that they voted for relevant shareholder resolutions on topics that are relevant for this case study. None of the insurance groups filed shareholder resolutions or motions during the research period on issues related to deforestation or land grabs. Apart from insurance groups Vivat and APG, all insurance groups stated that they were not aware of relevant shareholder resolutions for the palm oil companies in this study, despite the explanation that voting for relevant resolutions at other companies in the palm oil value chain, such as for example Nestlé, Bunge, ADM or Cargill, would also be considered as a good example of voting practices.

Regarding engagement, Achmea and Vivat conduct structural and detailed engagements with companies in the palm oil value chain. Apart from Vivat and Achmea, NN Group and APG also conduct engagement with palm oil companies or other companies in the palm oil value chain, although this is less extensive. Engagement typically does focus on most of the relevant issues discussed in section 1.3. Allianz and Delta Lloyd did not share any information about possible engagements. Aegon did not provide sufficient information about any current engagements on the topics of deforestation and land grabs but stated that it will be part of PRI deforestation engagements in the near future.

For several insurance groups, engagement only takes place after serious violations of either policies or other standards have come to light. From the information made available to researchers, it can be concluded that when screening and engagement are structurally incorporated into investment decisions, this will lead to better insight into the ESG risks of those investments. This means that engagement will not only be reactive but also aimed at the prevention of deforestation and land grabbing risks.

Several insurance groups state that they will exclude palm oil companies if they are involved in severe controversies. Exclusion is generally seen as a last resort, with a strong preference for engagement instead of exclusion visible for all insurance groups. Nevertheless, three insurance groups have excluded palm oil companies during the research period, for reasons such as deforestation, violations of human rights and social conflict.

Only one insurance group shared an official commitment. Vivat has stated that it will start new engagements in 2017 on the topic of deforestation and that Vivat will provide more insight into its engagements with investee companies.

The insurance groups that have extensive policies, such as Vivat and Achmea, are also able to show that these policies are put into practice. For the insurance group Delta Lloyd this conclusion does not hold, as the policy commitments are not reflected in the points received in this case study. This may be due to transparency however, rather than lack of implementation of policies, as researchers did not gain sufficient insight into Delta Lloyd's approaches to engagement to conclude that it is in fact insufficient. Delta Lloyd chose to not share any information or answers regarding engagement. There is, furthermore, a strong link between the level of transparency that insurance groups provide and the amount of points granted. This is due to the nature of this case study; without adequate insight, no statements can be verified and points cannot be granted. It is not sufficient to accept answers and statements as the truth, without any evidence.

The palm oil sector is a high-risk sector in terms of both social and environmental impacts. Therefore, investors should be held accountable for their influence of palm oil companies. Without transparency, this is not possible. For this reason, insurance groups should show willingness to work towards increasing transparency regarding their screening, engagement, voting and exclusion practices.

Chapter 5 Recommendations Fair Insurance Guide

In this chapter, seven recommendations are formulated for insurance groups that invest in companies in the palm oil value chain. Based on the results of this case study, the following recommendations are formulated:

1. Transparency should be increased

   The insurance groups can and should be a lot more transparent with regard to their investments and engagement processes. Without disrespecting the duty of care they have towards investee companies, they can and should be more transparent in the information they provide to society. Each insurance group should take the following steps in this regard:

   - Publish and regularly update a consolidated overview of the group's share- and bond holdings, covering all its assets under management;
   - Publish an annual overview of the number of companies with whom the insurance group has exchanged information regarding social and environmental issues (GRI indicator FS10);
   - Publish records of the engagement processes with individual companies or publish a detailed, and externally monitored overview of the goals and success rates of the engagement processes.
   - Ensure that the annual sustainability report is audited by an independent auditor. This auditor should check whether GRI standards are taken into account and whether there is information in the report regarding each of the GRI criteria. These audits should be more than just a conclusion that there is no reason to believe that the given information would be contrary to the GRI standards. They should also assess whether sufficient information has been provided with regard to decisive criteria (like sector disclosure indicators FS6 and FS10).

2. Strict screening and monitoring is vital

   The palm oil companies in this case study have been involved in serious controversies in the last four years (2013 - 2016). Nevertheless, many of the controversial palm oil companies selected in this case study did not even 'fail' the initial screening used at some insurance groups, based on whether a company has violated the UN Global Compact principles. Some of these palm oil companies are only placed on a 'watch list'. It is not clear what happens regarding companies on the watch list. For some insurance groups further screening or engagement only starts after a company fails the initial screening. Given the seriousness of the controversies the palm oil companies were involved in, the threshold to 'fail' the screening is not adequate. Initial and follow-up screening should be strict for all insurance groups and also take into account the responsible investment policies of the insurance group as a benchmark, going beyond the UN Global Compact principles.

3. Scope of policies:

   a) Policies should be implemented irrespective of investment size

      Some financial institutions state that an investment is too small to consider for engagement, or that a small investment in a controversial company is not relevant. Nevertheless, it is a widespread expectation of civil society that responsible investment policies should be implemented to their fullest extent for all relevant investments, as articulated in the UNGP Reporting Framework.

b) Policy implementation should be conducted across the value chain

Beside palm oil growers and producers, large traders, retailers or consumer goods producers can and should also be included in the screening, voting, engagement and exclusion processes regarding deforestation and land grabbing. Several insurance groups already conduct engagement with such companies and this should continue. Many companies are part of the palm oil value chain and should all be part of finding solutions for the problems within the value chain.

4. Engagement:

a) Ongoing engagement is necessary

The risks of deforestation and land grabbing continue to be present for all palm oil companies, despite efforts to improve the situation by several companies in the past years. This means that engagement must be continued, also for the palm oil companies considered to be front-runners in terms of sustainability.

b) Engagements should have clear time-bound targets

When conducting engagements with companies in the palm oil value chain, clear and time-bound targets should be set by all investors. Conducting engagement without a distinct goal or expectation of an investee company, sets the bar too low. In this regard, it is also necessary to follow-up whether an investee company has made any progress over a certain period of time. Furthermore, it should be made clear that failure to improve will eventually lead to the investor ending the financial relationship with the investee company. When engagements are concluded, investors should report on the goals and achievements of the engagements.

5. Voting and filing shareholder resolutions:

a) Investors can work together to co-file shareholder resolutions

Filing a motion or a resolution at a shareholder's meeting can cost time and effort. However, it is in the benefit of all investors looking to improve sustainability that relevant resolutions are put to the vote. As many stand to gain, it makes sense for investors to work together to co-file a resolution. This also makes it easier to reach the minimum requirements to submit a resolution.

b) Voting should be prioritised more

There may not always be relevant shareholder resolutions to vote on at the annual shareholder meetings of palm oil producers. However there are many different companies in the palm oil value chain, with opportunities at the level of all of these companies to address the issues of deforestation and land grabs. It is for example possible to influence palm oil companies by voting for resolutions aimed at improving sustainability at the companies that buy or use palm oil from the palm oil producers, such as ADM, Unilever or Cargill. This case study identified a lack of awareness at some investors regarding this point.

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